The Okinawa Electric Power Company, Incorporated

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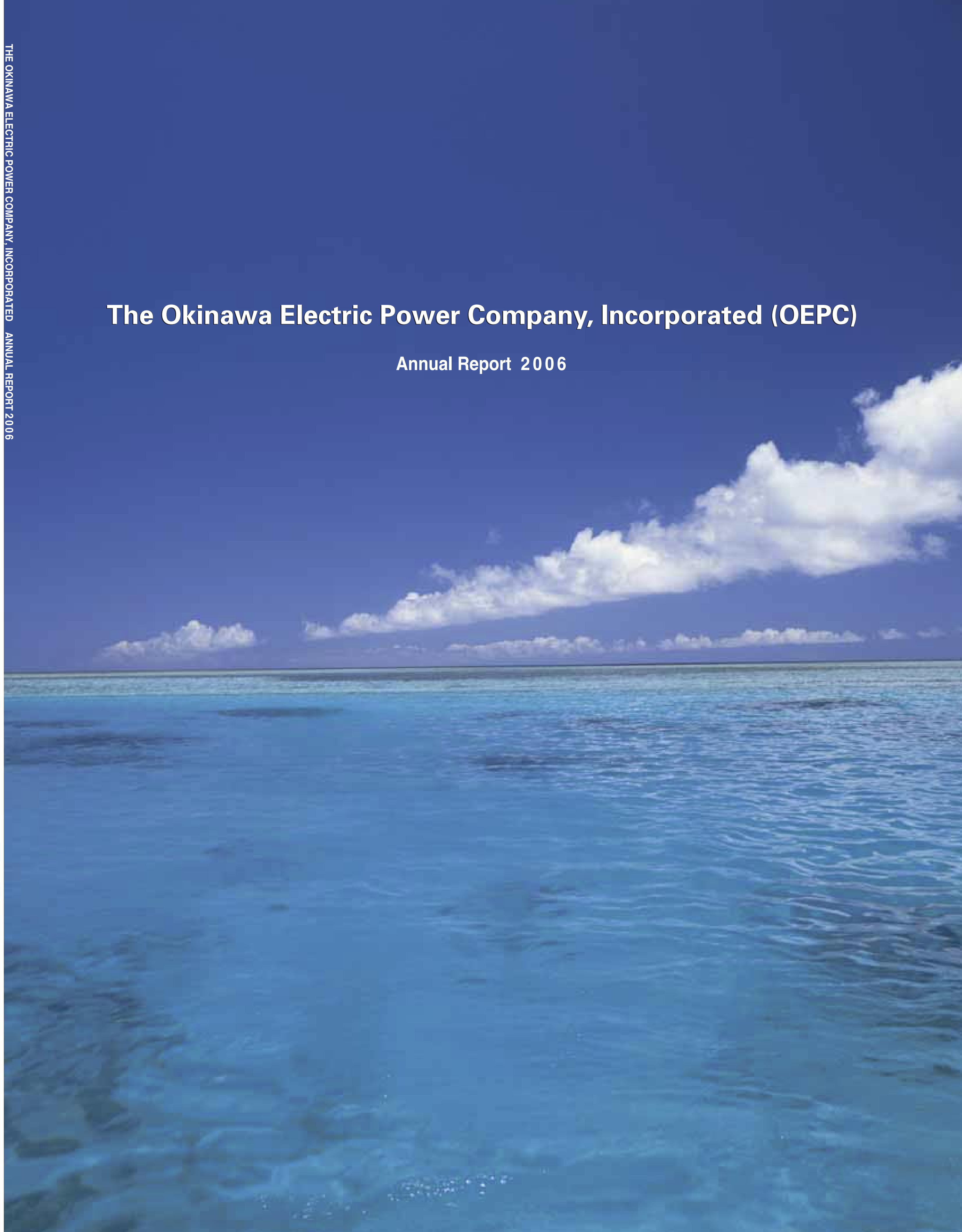
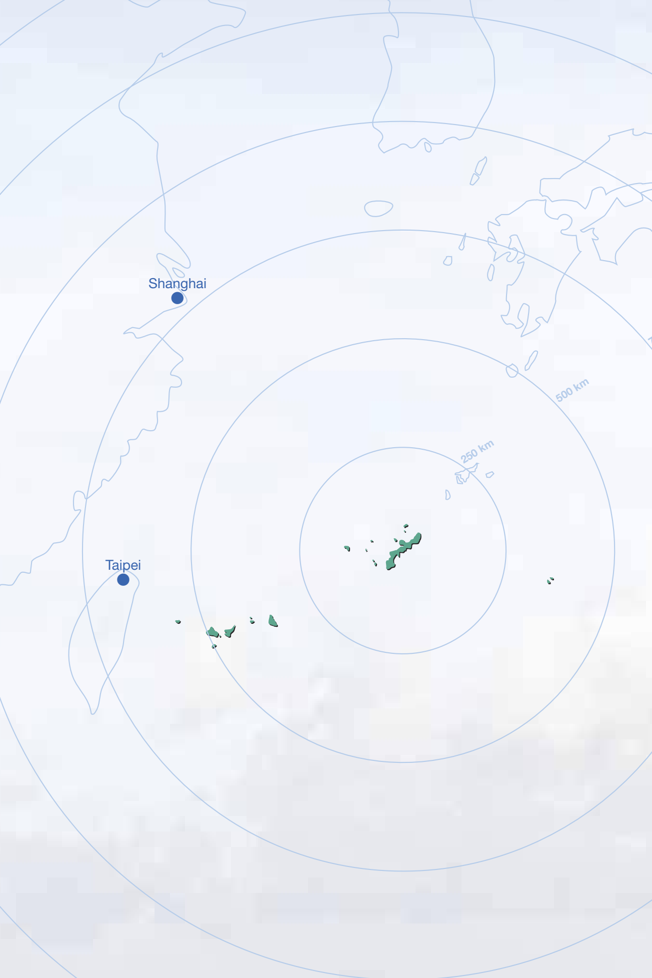
THE OKINAWA ELECTRIC POWER COMPANY, INCORPORATED ANNUAL REPORT 2006



The Okinawa Electric Power Company, Incorporated (OEPC)

Annual Report 2006



Profile

One of Japan's ten electric power utility companies, The Okinawa Electric Power Company, Inc. (OEPC) supplies power throughout Okinawa Prefecture, which is situated at the southwesternmost tip of the Japanese archipelago and has a population of approximately 1.4 million. The prefecture is surrounded on all sides by sea and consists of 160 large and small islands. The Company supplies power to approximately 40 inhabited islands scattered across this wide area measuring approximately 400km from north to south and 1,000km from east to west. By balancing the needs to ensure an equal level of service to all customers and maintain an efficiently operated power supply, the Company continues to fulfil its corporate mission, and in this spirit celebrated the 30th anniversary of its founding in May 2002. In that year, the Company's shares were listed on the first section of the Tokyo Stock Exchange, which further consolidated our status as an industrial company.

This is truly a historical turning point for the industry, as it addresses the decision to expand the scope of liberalization of the sector and tries to deal with the emergence of Independent Power Producers. To meet the challenges in this period of wrenching change, the Company will continue to ensure a stable supply of electric power, and strengthen Group management so that we remain the trusted supplier of choice for our customers, shareholders, and investors.

Contents

Financial Highlights (Consolidated)

The Okinawa Electric Power Company, Incorporated

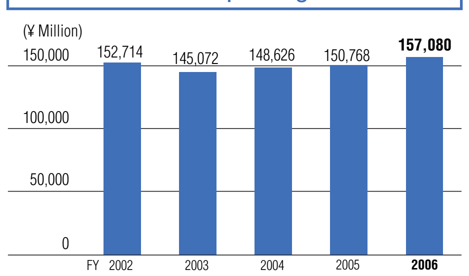
Years ended March 31, 2006 and 2005	Millions of Yen 2006	Millions of Yen 2005	Thousands of U.S. Dollars 2006
For the year:			
Operating revenues	**¥157,080**	¥150,768	**$1,337,193**
Operating income	**19,816**	17,474	**168,689**
Net income	**9,975**	7,614	**84,922**
Per share of common stock (yen and U.S. dollars):			
Basic net income	**¥620.68**	¥471.22	**$5.28**
Cash dividends applicable to the year	**60.00**	60.00	**0.51**
At year-end:			
Total assets	**¥378,666**	¥392,158	**$3,223,515**
Total shareholders' equity	**96,899**	86,959	**824,884**

Note: The U.S. dollar amounts represent translation of Japanese yen for convenience only at the approximate exchange rate on March 31, 2006, of ¥117.47 to $1.

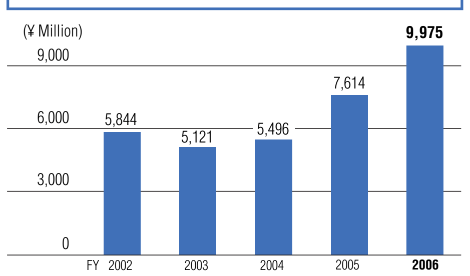
Operating Highlights (Non-Consolidated)

Years ended March 31, 2006, 2005 and 2004	2006	2005	2004
For the year:			
Electric energy sales (Millions of kWh)			
Lighting	**2,900**	2,809	2,808
Power	**4,446**	4,384	4,348
Peak load (Thousands of kW)	**1,394**	1,363	1,409
At year-end:			
Number of customers:			
Lighting	**729,519**	716,674	710,638
Power	**67,230**	67,576	68,082
Generating capacity (Thousands of kW)	**1,926**	1,916	1,918
Route length of transmission lines (km):			
Overhead	**726**	712	681
Underground	**219**	194	189

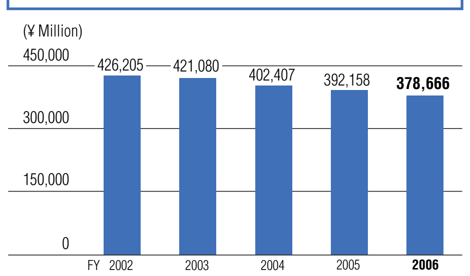
Consolidated Operating Revenues



Consolidated Net Income



Consolidated Total Assets



Note: The term "fiscal 2006" as used in this report refers to the business year ended March 31, 2006. The same applies to other fiscal years.

Message from the President

Tsugiyoshi Toma
President

During fiscal 2007, the Japanese economy is expected to show moderate recovery, with business and households both benefiting from sustained high levels of corporate profit, despite the negative influence of reduced public investment. The recovery momentum continued from the previous year, supported by private-sector demand in terms of capital investment and consumption.

We saw sustained steady recovery overall in the Okinawa Prefecture economy, led by tourism amid the ongoing "Okinawa boom" across Japan and firm consumer spending, despite the ongoing woes of the construction industry due to declining public-sector investment.

Demand for non-industrial electric power in fiscal 2007 is set to rise year-on-year, amid steady growth in the number of households (residential demand) and an increase in the number of new customers for commercial-use power. Industrial-use power consumption is also rising year-on-year on steadily increasing demand from the food-processing and water-supply industries.

These demand patterns pushed up our revenues despite uncertainties surrounding fuel price trends. At the same time, expenses remained at a stable level, as rationalization measures took effect, despite expense-bloating factors such as introduction of a call center and a new computer system based on a highly sophisticated IT model.

Through the efforts of all our employees from executives down, we are determined to optimize the efficiency of our operations, with minimal waste, and further strengthen our financial position in the future.

Business and Financial Issues

We expect the operating environment facing The Okinawa Electric Power Company to be difficult in the future, due to factors such as further liberalization of the electric power business, contraction of non-power-related public works projects, and intensified competition in the IT sector.

In fiscal 2006, we pursued the following priority policies to strengthen Group operations, to enable us to contribute to the future development of the prefectural economy and raise the enterprise value of the OEPC Group.

(1) Strengthening the Operating Base

We strengthened our operating base by clarifying the role and mission of each company in the Group, ensuring each member company redoubles its commitment to its core business, pursuing optimal allocation of management resources, strengthening our financial position, ensuring the highest quality and safety standards, and developing and strengthening our technological capabilities.

(2) Establishing an OEPC Group Brand

While prioritizing the Company's social responsibilities and corporate ethics, we worked to establish an OEPC Group brand. To this end, we built up closer relations of trust with our customers as a Group, by redoubling our commitment to reliability and safety by promoting safe and comfortable lifestyles and supporting local business in its operations.

The Electric Power Business, the core business of the Group, needs to remain particularly alert to developments in the industry. Ahead of the reported start of discussions for full liberalization of the electric power industry scheduled for April 2007, the Company is carrying out impact tests ahead of full liberalization in terms of streamlining, stability of supplies and environmental protection. Even though the pressure from the market entry of Independent Power Producers (IPPs) has slackened somewhat, we continue to face a severe competitive environment.

In this operating environment, we have enhanced customer satisfaction by pinpointing and promptly responding to customers' diversifying needs and providing a stable and safe supply of electric power. To ensure stability of supplies, we took measures to construct, operate, and maintain efficient and rationalized electric power generation and transmission facilities, with due precautions taken against natural disasters. At the same time, we continued to build up the trust and support of customers, shareholders and investors in the region, by ensuring maximum adherence to ethical and compliance requirements.

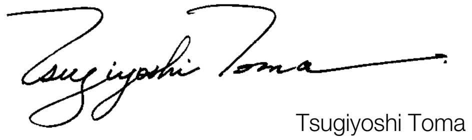
Our environmental protection activities are based on the Okinawa Electric Power Company's environment policy, including measures to safeguard the local environment and combat global warming.

Priority issues are as follows:

1. Increasing customer satisfaction
2. Becoming an electric power business known for reliability
3. Strengthening our financial position
4. Ensuring our operations are in harmony with the global environment
5. Strengthening our Group management

We have taken measures to strengthen the operating base of businesses other than the Electric Power Business. In our Construction Business, we faced an environment of reduced public-works spending and intensified price competition, and needed to cope with these pressures by rigidly screening projects and concentrating management resources on the most promising, and focusing sales activities on securing orders. In our IT business, we will develop our operations by bringing to bear comprehensive Group strengths, remaining finely attuned to customer requirements with a focus on telecom infrastructure and software development, data centers and contact centers (call center business and outsourcing services). In addition to diversifying by developing new businesses peripheral to power generation and moving into growth sectors, we have taken steps to expand our portfolio of businesses by leveraging our in-house venture capital system.

The OEPC Group has taken every step to ensure full awareness of corporate ethical standards, by laying down ethical regulations for both directors and employees. We contribute to our regional community through environment protection activities based on the Group environmental policy, and "Get-to-know Okiden" events including discussion sessions with the public and continued support for exhibitions of scientific work by students (Okinawa Young People's Science Fair). Through these day-to-day initiatives that keep our customers, our community and the environment in our thoughts, we aim to create an operational paradigm enabling a deeper focus on CSR and sound relations with our stakeholders — our customers, shareholders/investors, and regional community.



Tsugiyoshi Toma
President

Interview with the President

Tsugiyoshi Toma
President

Q1 What can you tell us about the regional economy and trends in demand for electric power now the first quarter has ended?

(Regional Economy)

Recently, the Okinawa economy has maintained strong recovery momentum.

The number of tourists in particular hit record high levels in April and May, due to the addition of new routes following the opening of new airports in Kobe and Kitakyushu in 2005.

With regard to consumer spending, we have seen 13.4% year-on-year growth in demand for domestic electrical appliances centered on flat-screen televisions, due to the opening of a large-scale Kojima Co., Ltd. store in downtown Naha and the 2006 World Cup.

However, the construction industry continues to face severe operating conditions due to the decline in public-sector investment.

Looking ahead, we expect consumer spending to maintain its current strength, led by a strong economy driven by the current firmly-rooted Okinawa tourism boom.

We also expect the worst of the depression in the construction industry to lift in the near future, as orders increasingly come from the private sector.

We expect the prefectural economy to continue to show strong recovery momentum.

(Demand for Electricity)

Demand for electricity in the first quarter of fiscal 2007 increased 2.0% year-on-year to 1,683 million kWh.

Against a backdrop of population increase, non-industrial power demand grew 2.1% year-on-year due to rising demand for residential-use power reflecting growth in the number of households, and for commercial-use power following the opening of new hotels and large-scale retail stores in the prefecture.

Industrial demand increased 1.2% year-on-year reflecting increases in power use due to a rise in customers in the food processing industry and demand for seawater desalination facilities.

As of July 10, 2006, the volume of electric power sold had risen 2.3% year-on-year. On July 6, we recorded a three-year peak in electricity usage of 1.523 million kW, compared with the earlier record high of 1.506 million kW.

On that day, air conditioning operating rates soared, amid record-high temperature for July of 35°C recorded in downtown Naha.

Full-term power usage for fiscal 2007 is set to show year-on-year growth of 0.2%, to 7,358 million kWh. This translates into a year-on-year growth rate of 1.5% excluding the impact of high temperatures.

Turning to long-term demand, we assume an average growth rate of 1.8% (2.0% after adjustment for temperature factors) in demand for electric power between fiscal 2005 and fiscal 2016, reflecting a population growth rate in Okinawa Prefecture ahead of the national level, and steady growth in the food-processing and water-supply industries.

Q2 What is the impact of continuing high crude oil prices, and what measures is your company taking to deal with it?

(Short-Term Impact)

Fuel expenses in fiscal 2006 totaled around ¥32.6 billion, a rise of approximately ¥7.7 billion (31.1%) compared with fiscal 2005, reflecting rising prices.

The cost of petroleum rose 33.3% to ¥5.0 billion for us. This is was due to (1) the impact of Hurricane Katrina in the United States in the summer of 2005, (2) a global increase in demand for oil, and (3) terrorist attacks and political instability in major oil-producing countries.

Our coal costs rose 29.8% to ¥2.8 billion, due mainly to (1) tight supplies in China, which caused the Chinese government to prioritize domestic demand and reduce exports, which in turn prompted us to compensate by sourcing from Australia and Indonesia, (2) production problems due to heavy rainfall in Australia and Indonesia, and (3) occurrence of simultaneous events adversely affecting stability of supplies, which may have caused coal prices to soar.

(Medium- to Long-Term Impact)

In fiscal 2007, we expect fuel prices to rise approximately ¥6.0 billion (18.4%) compared with fiscal 2006, to ¥38.6 billion.

We expect petroleum costs to rise 29.5% to ¥5.9 billion. The main reason is stagnant refining capacity and low inventory levels for petroleum products in the United States. Other factors are the ongoing chaotic situation in Iraq, terrorist and cross-border conflict in the Middle East and other regions, and uncertain economic growth prospects in newly emerging economies.

We expect our coal costs to rise 0.8% to ¥100 million. We feel that supplies are still tight despite the sharp rise in coal prices due to the severity of the winter in Japan in 2005.

(Our Measures)

We intend to reduce expenses for petroleum by making spot purchases at times when fuel prices seem likely to fall, while closely monitoring oil demand trends.

We plan to expand procurement of subbituminous coal, rather than bituminous coal, as it is not only relatively environment-friendly (having low ash and sulfur content), but is also relatively inexpensive. We also intend to make additional purchases at low rates under existing supply contracts when market prices for coal are low, to further cut costs.

Q3 What measures are you taking to cut costs on remote-island operations?

We had success in generating a more balanced stream of revenue from remote-island power supply by establishing the Remote-Island Internal Company and undertaking various other rationalization measures.

However, this internal company recorded a loss of approximately ¥6.0 billion in fiscal 2006 due to a re-categorization of heavy oil for power generation, from C to A grade, due to soaring crude oil prices, leading to a steep year-on-year increase in fuel costs, of ¥3.3 billion.

Specific measures to improve the situation included building pipelines to deliver fuel to the Miyako No. 2 power station.

As part of efforts to draw up specific countermeasures to deal with rising fuel prices, we have also set up a working group on fuel procurement for remote-island operations. It will look into development of new suppliers for C-grade heavy oil not including Fluid Catalytic Cracking (FCC) content and ways of curbing the adverse impact of FCC oil on internal combustion systems. We plan to continue trials on curbing the impact on internal combustion systems currently underway at Kume power station until October 2006.

Q4 Why have you brought forward financial targets by a year?

We were a year early in meeting numerical targets (interest-bearing debt and shareholders' equity ratio) aimed at strengthening our financial position.

We have set new targets for recurring income and ROA as we expect to achieve three-year average targets up to fiscal 2007.

Specific targets are as follows:

- Recurring income of at least ¥11.0 billion a year on average
- ROA of at least 4.0%
- Total interest-bearing debt of approximately ¥260 billion by the end of fiscal 2011
- Shareholders' equity ratio of approximately 30% by the end of fiscal 2011.

Financial Target

	Consolidated	Non-consolidated	Target year
Recurring Profit	Annual average ¥12 billion or over	Annual average ¥11 billion or over	FY2007-2011
Return on Assets (ROA)	Annual average over 4.0%		FY2007-2011
Interest-Bearing Debt	Approx. ¥270 billion	Approx. ¥260 billion	End of FY2011
Equity Ratio	Approx. 30%		End of FY2011

The main reasons for the changes are that construction of the Yoshinoura Thermal Power Plant is pending, creating strong demand for funding. It is necessary to build up retained earnings to keep this increased financial pressure under control.

Q5 What expectations do you have for the Yoshinoura Thermal Power Plant, for which construction preparations are now underway?

Through introduction of combined cycle power generation using LNG as a fuel, we aim to (1) take action against global warming by cutting carbon dioxide emission volumes, (2) contribute to reducing environmental load by use of fuel that does not generate sulfur oxides or harmful dust, and (3) increase the security of electrical supplies by diversifying our fuel sources, using coal, heavy oil and LNG as our principal electricity-generation fuels.

At the moment, we plan to begin preparatory construction works in November 2006, with an eye to launch of operations in fiscal 2011.

We are now studying environmental impact appraisal reports, and have completed procedures for environmental assessment in August 2006.

The Federation of Electric Power Companies of Japan has set the demanding target of reducing per unit (kWh) emissions in 2010 to 80% of their 1990 level. This will be tough, but the new Yoshinoura plant will be a key facility in our efforts to achieve this level of reduction, and we aim to use the World Bank Carbon Fund.

Q6 Please tell us something about the new businesses you are actively developing and what direction you wish to take them in going forward.

It is of course essential to establish new business fields and develop new businesses for the Group to increase its overall enterprise value and achieve sustained growth and development into the future.

For that reason we will aggressively expand existing businesses and develop new businesses by making most efficient use of the Group's management resources.

We have established five companies so far under our introduced internal venture capital system "MOVE2000 Program."

Ganju Company, a meat-packing company, was chosen as meat supplier in the "Let's Choose Japanese Umai 2006" nationwide campaign operated by Kirin Beer. Grace Rum Co., Inc., a rum distiller, plans a special product to celebrate its first anniversary. Aqua Culture Okinawa Co., Inc. can now offer decorative soft and hard coral, and has begun to increase shipments.

Looking ahead, to develop new entrepreneurial talent in-house and ensure that our venture companies succeed, we plan to upgrade support mechanisms at every stage of their growth, as well as enhance their earnings capability and establish management systems enabling them generate stable profit.

Overview of Okinawa Prefecture

Population Growth

The rate of population growth in Okinawa is high compared with Japan as a whole. It is estimated that the average annual growth rate over the period until 2015 will be 0.43% in Okinawa, compared with -0.12% for the country as a whole. Moreover whereas the population of Japan is thought to have peaked in 2004, that of Okinawa is expected to continue growing until 2025. In line with this expected increase in population growth, the number of households (supply contracts) is expected to grow steadily as well, leading to an increase in demand for residential-use electric power.

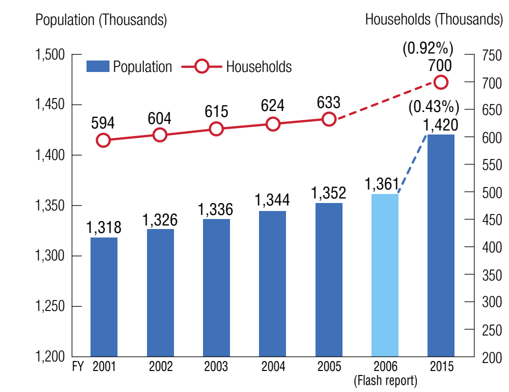
GDP

As a result of measures implemented under the government's Okinawa Promotion Plan, the GDP of the prefecture is forecast to grow at a faster pace than that of the country as a whole. Average annual GDP growth for Japan from 2003 to 2011 is projected at 1.6%, compared with 2.6% for Okinawa Prefecture. At the same time, per capita income growth, supported by GDP growth in the prefecture, is also forecast to exceed national rates over the same period, at approximately 3.7%, compared with around 2.1% for Japan as a whole.

Tourist Arrivals

Okinawa Prefecture saw a record number of tourist arrivals — 5.5 million people — in 2005. This is 100,000 more than the target of 5.4 million. This performance reflects rising interest in Japan in the natural beauty, musical traditions, and arts and culture of Okinawa, and the area's concomitant rise in popularity; an expansion in aircraft seating availability due to addition of routes to Okinawa and deployment of larger aircraft by airlines, new construction of accommodation facilities, and an increase in school tours; and the success of public and private sector joint efforts to attract tourists through campaigns. The prefecture targets 6.5 million tourist arrivals in 2011.

Growth in Population and Number of Households in Okinawa



Source: Population figures for 2000 and 2005 are taken from the population census (Ministry of Internal Affairs and Communications)
Figures for 2001 to 2004 are provisionally supplemented values for Okinawa Prefecture based on findings of the population census
Figures for population and number of households in 2015 are based on surveys by the Japan Electric Power Survey Committee

Note: Figures for number of households in parentheses show annual average growth between 2004 and 2015
Population figures in parentheses show annual average growth between 2005 and 2015

GDP Average Annual Growth Rate

	FY 2004	FY 2012	Avg. annual growth rate for 2004-2012
Okinawa	¥3,689,700 million	¥4,531,100 million	2.6%
Nationwide	¥517,478,700 million	¥587,809,300 million	1.6%

Source: Quantitative targets for economic and social development under the Okinawa Promotion and Development Plan, economic statistics for Okinawan residents in fiscal 2003

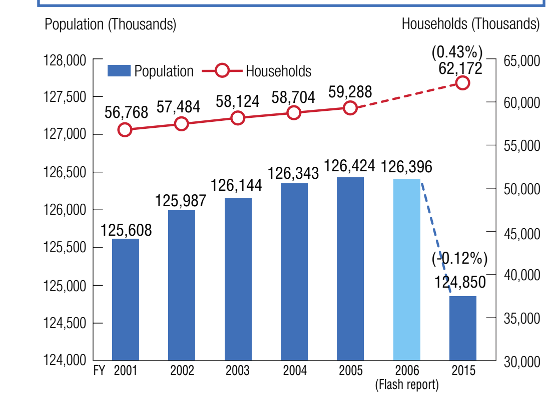
Cabinet Office, the Japan Electric Power Survey Committee

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

	FY 2004	FY 2012	Avg. annual growth rate for 2004-2012
Okinawa	¥2,050,000	¥2,740,000	3.7%
Nationwide	¥2,890,000	¥3,400,000	2.1%

Source: Quantitative targets for economic and social development under the Okinawa Promotion and Development Plan, economic statistics for Okinawan residents in 2003

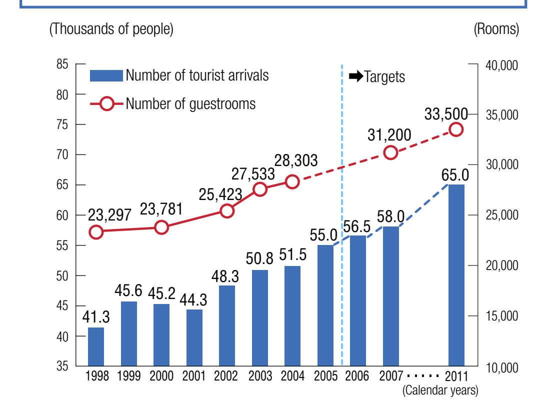
Growth in Population and Number of Households in Japan (Excluding Okinawa)



Source: Population figures for 2000 and 2005 are taken from the population census (Ministry of Public Management, Home Affairs, Posts and Telecommunications)
Figures for 2001 to 2004 are provisionally supplemented values for Okinawa Prefecture based on findings of the population census
* Computed based on figures for all Japan (Ministry of Public Management, Home Affairs, Posts and Telecommunications), excluding Okinawa
Figures for population and number of households in fiscal 2015 are based on surveys by the Japan Electric Power Survey Committee

Note: Figures for number of households in parentheses show annual average growth between 2004 and 2015
Population figures in parentheses show annual average growth between 2005 and 2015

Tourist Arrivals and Number of Guestrooms



Source: Okinawa Promotion and Development Plan, Tourism Directory
Note: Surveys into numbers of guestrooms, previously held once every two years, became annual from fiscal 2003.

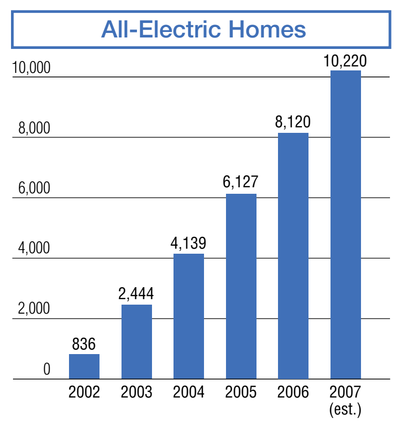
More convenience in daily life

Recognizing the diverse needs of our customers, we at OEPC have developed a range of finely tailored services, including a "menu" of electric power payment methods (which has proved very popular), consulting services that offer imaginative and effective solutions to all conceivable issues, and a full and reliable product after-sales service. These are some of the ways in which OEPC is working to achieve still higher levels of customer satisfaction.

All-electric homes on the increase

Because they do not employ open flames, all-electric homes are safer, and with our special-discount Ee Plan electricity charge payment plan, they are also very economical. A large number of customers have been extremely satisfied with our all-electric homes, thanks to their unique combination of safety and comfort, and the number of homes switching over to the all-electric plan is rising year-by-year.

OEPC uses the Okiden Fureai Plaza (a combined amusement and electricity promotion facility) as well as all-electric home demonstration vehicles to display vividly to the public the advantages of all-electric homes. We also hold various sales promotion events and marketing campaigns.

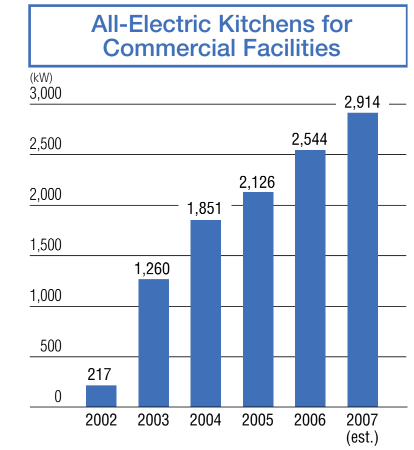


"Mother & child cooking lessons"

The design used from October 2006 in OEPC's all-electric home promotional campaign

Clean and safe commercial kitchens that are a real pleasure to work in

At OEPC, we are working to spread the word about the advantages of all-electric kitchens for restaurants, bakeries, and other commercial facilities. The absence of open flames makes stoves safer than those using gas or other fuels; they are cost-effective thanks to excellent heat efficiency at high power levels; and they are easier to keep clean and hygienic. These commercial kitchens conform to the principles used in the Hazard Analysis and Critical Control Points (HACCP) method, and make possible kitchens that boast what we call the "Four C's," i.e. they are cool, controllable, clean, and convenient. The majority of kitchens in restaurants and other commercial facilities still employ gas-fired cooking ranges. To encourage the expanded use of all-electric kitchens, we hold regular seminars on such kitchens to make their features more well-known among the potential users.

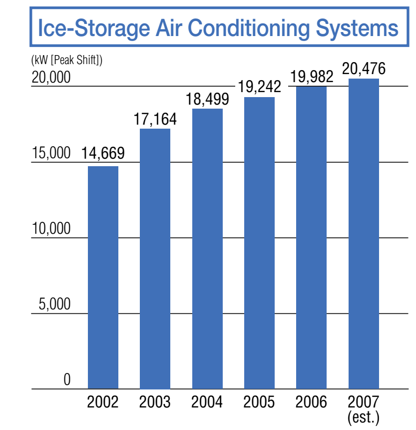


Seminar on all-electric kitchens for commercial facilities

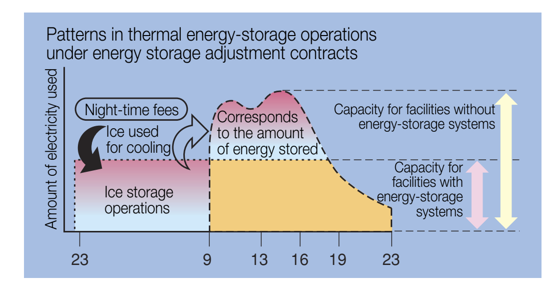
Welfare facility with an all-electric kitchen

Ice-storage air conditioning systems ideal for Okinawa's long, hot summer

Energy storage-type air conditioning systems make use of low-cost nighttime electricity to produce and store ice or cold water, which is then used as a cooling source for air conditioning during the day. The use of this system also enables the running of the heat pump (the core of an air conditioning [room cooling] system) at higher levels of efficiency, which allows conservation of energy. As there is no combustion engine, the system is safer and more easily kept clean. By signing an "energy storage adjustment contract" with OEPC, our customers are able to take advantage of reduced electricity rates.



Ice-storage air conditioning systems



Providing services that truly satisfy our customers

Responding to our customers' desires, for instance for a safer and more comfortable daily living environment, or for reduced electricity costs, we have designed a menu of electric power service payment plans, from which each customer can choose the one that best fits his or her particular lifestyle. We also propose electric equipment and systems that have different merits and will appeal to different customers. Our lifestyle consulting staff are able to propose electricity-usage solutions that perfectly match each customer's lifestyle. Our marketing relies for its effectiveness on our salespeople's ability to instantly access the vast amount of expertise and experience that OEPC has built up, and we are constantly refining both our product-and-service lineup and our marketing system to maintain our undisputed position within Okinawa Prefecture as the premier supplier of electric power as well as related equipment and services.

A consulting session

Lower electricity rates

Okinawa Electric Power Company serves customers living on a large number of small islands scattered across a wide area. Moreover, because of the distance between the islands of the prefecture and the mainland of Japan, OEPC is unable to take part in the electric power-sharing system operated among Japan's other nine electric power utilities. Finally, with a total prefectural population of only around 1.4 million, OEPC's operational scale is the smallest of the ten Japanese power utilities, and it is thus unable to enjoy much in the way of economy of scale.

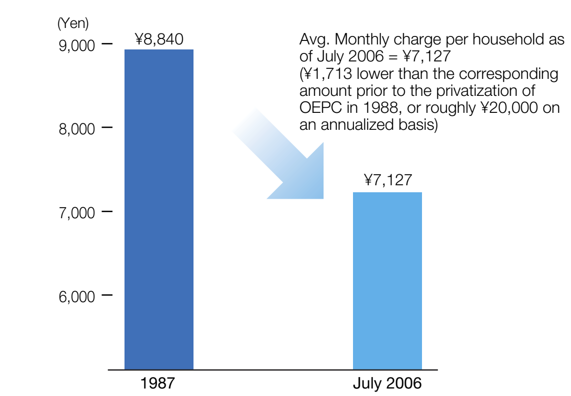
Clearly, the Company labors under a number of handicaps, but ever since the establishment of OEPC, we have made it one of our prime targets to supply electricity to our customers at rates comparable with those on the Japanese mainland. To this end, we have done our best to lower our power supply costs, and we hope to achieve further electricity rate reductions in the future by adopting more efficient operational processes.

Efforts to reduce electricity rates

To enable our customers to share in the profits gained through greater operational efficiency, the Company has successively implemented average rate reductions for power supply within the regulated category, the last of which was a 3.24% reduction effective July 2006. Since its privatization in 1988, OEPC has reduced its average electricity rates charge by approximately 40%. The Company will continue its efforts to raise the efficiency of its operations with the double aim of maintaining reliable electric power supply services and keeping its rates approximately at the same level as on the Japanese mainland.

Post-Privatization Electric Power Rate-Cuts for Households

Meter-rate (low voltage) Electricity-usage volume: 300kWh
Rates in July 2006 include consumption tax



Measures to Raise Operational Efficiency

Efficiency in capital investment

Investment by the Company in plant and equipment in the reporting term came to ¥14.3 billion, ¥4.5 billion lower than the initially planned figure. This is attributable to a thorough review of our specifications and methods of design and installation, as well as considerable cost savings on the procurement of materials thanks to progress in the reuse of recyclable scrap material.

Capital investment is projected to remain at a high level until the completion of construction of the Yoshinoura thermal power plant. However, factoring into our plans the various measures we have taken thus far to improve the efficiency of our operations, we anticipate holding down annual equipment investment over the next five years (ending March 2011) to an average of ¥36.0 billion.

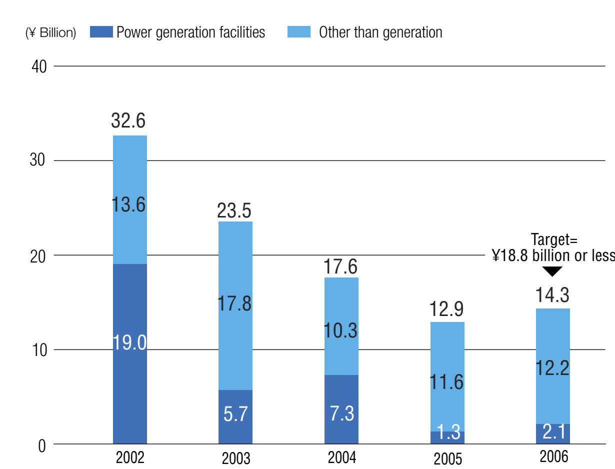
Striving for efficiency in operation and maintenance of equipment

Regarding expenses for repairs to and maintenance of equipment and facilities in the reporting term, the Company's choices were dominated by the twin aims of maintaining a stable and reliable supply of power, and further reducing costs. To these ends, considerable thought was given to employing the most rational methods of maintenance and the most efficient operational processes (exemplified by changes to the timing of spot checks). As a result of these efforts, repair and maintenance costs came to ¥14.9 billion, virtually identical to the target figure of ¥15 billion.

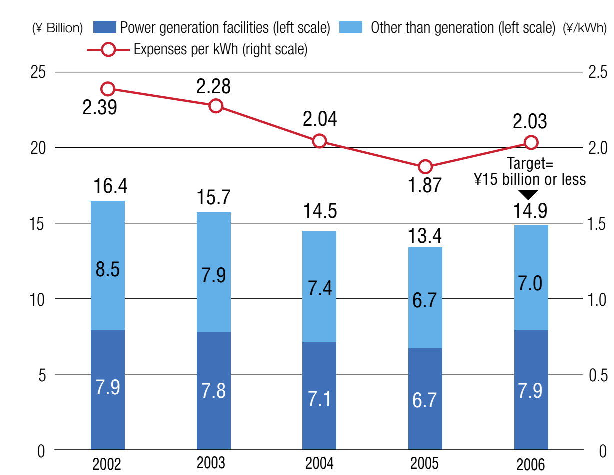
In addition, the Company has made efforts to reduce fuel costs, including greater use of the spot market to purchase grade C heavy crude oil and use of economical subbituminous coal. The Company also efficiently uses the dedicated coal-carrier vessel the Shinryo-maru to reduce fuel transport costs. In the future, we will continue our efforts to bring down the cost of operations.

The *Shinryo-maru*, a dedicated coal carrier

Capital Investment



Expenses for Repairs and Maintenance



Creating electricity

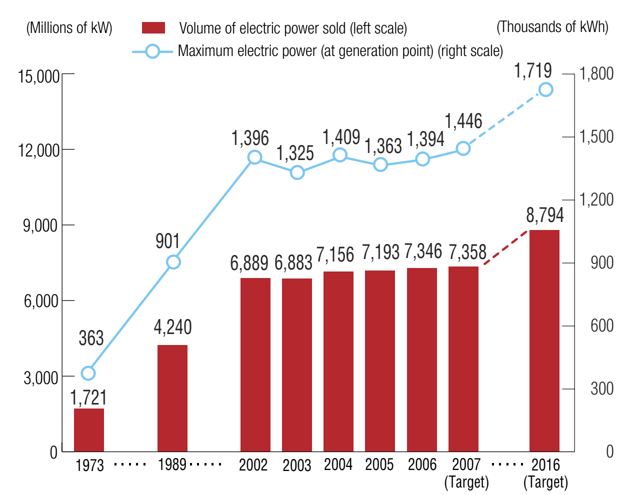
Needless to say, modern society could not exist without electricity. As a power supply utilities company, OEPC bears a number of important public duties, principal among which are: to provide the same level of service to all users in Okinawa Prefecture; to guarantee an uninterrupted supply of power to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

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

The upward trend of electric power consumption

In fiscal 2006, total electric power consumption amounted to approximately 7.3 billion kWh, a year-on-year increase of 2.1%. Peak load was 1,394,000 kilowatts, or approximately four times the figure for 1972, the initial year of operations as OEPC. Regarding the prospects for electric power demand from here on, although energy conservation initiatives have acted to constrain demand growth, the increase in the number of customers — fueled by population growth — and the steady growth of the prefecture's economy (helped by promotion plans implemented by the central government) are expected to push up demand by an annual average of 2.0% over the next decade, easily outpacing the projected 1.0% annual growth for Japan as a whole.

Maximum Electric Power and Volume of Electric Power Sold



Artist's representation of the Yoshinoura thermal power plant when completed (startup scheduled for FY2010)

Steam turbine generators

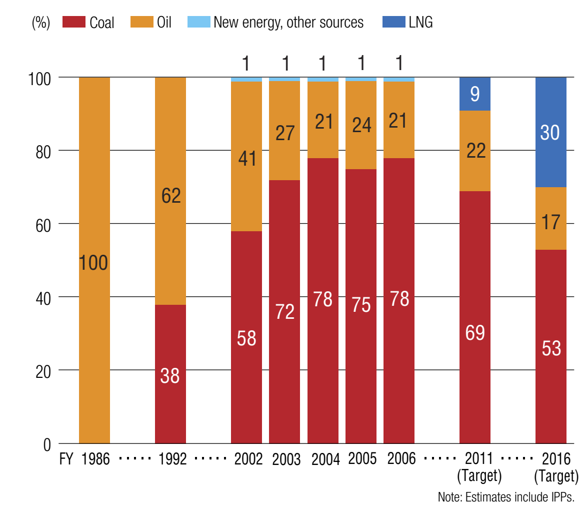
Expansion of power generation capacity

Japan imports approximately 80% of the fossil fuels used to generate electric power. Ever since the oil supply crises of the 1970s, particularly active efforts have been made to reduce the nation's dependence on oil by diversifying fuel sources. But geographical and geological factors and the limited scale of demand in Okinawa Prefecture mean that hydroelectric and nuclear power generation is impractical at the moment, and so the Company is forced to rely principally on thermal generators, in which the fuel burned is either oil or coal.

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

Our next major power generation development project is the Yoshinoura thermal power plant, operation of which is scheduled to commence in fiscal 2012. This new plant will use LNG as its fuel. As the combustion of LNG emits very little carbon dioxide, it will not materially contribute to global warming. At the same time, the use of LNG is in line with the Company's policy of diversifying the types of fuel used, thereby further ensuring the reliability of our power supply service.

Power Generation by Fuel Type



Delivering electricity

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

Our comprehensive network

At present, the Company's network of high-voltage power transmission lines connecting its power plants with its transformer stations (on Okinawa Island and all other islands of the prefecture), including above-ground and buried cables, measures a total of 945 kilometers. We operate 130 transformer stations, and the length of the low-voltage distribution line network connecting these stations with our customers (again, both overhead and underground), totals 10,562 kilometers. We are continuing to invest in the expansion and improvement of these transmission and distribution networks to cope with growing demand in Naha City and the surrounding region as well as to provide backup lines to ensure supply in all circumstances. This work is being carried out in coordination with the planning for the construction of the Yoshinoura thermal power plant.

Load dispatching center

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

A more rational supply grid

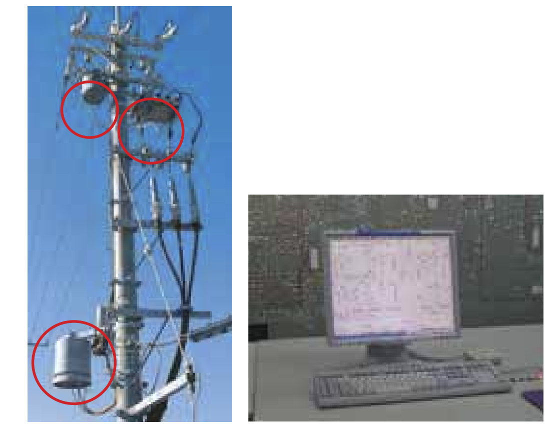
Electrical power demand in Okinawa island is concentrated in the cities of the central and southern areas, centered on Naha, but large-scale generation facilities are located north of the central area of Okinawa Prefecture, far away from demand centers. For this reason, the Company is expanding and strengthening facilities in line with expanding electrical demand. Even if a natural disaster cuts our power supplies, we aim to ensure resumption by using looped lines enabling us to use a secondary route. We supply power in high volumes using underground and submarine tunnels for areas where construction of pylons is difficult.

Undersea tunnels

Automated power distribution system

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

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



Automatic power distribution monitoring system
OEPC uses computers in each branch office to automatically obtain data on the operation of local switches mounted on utility poles as well as on the voltage and current in local distribution lines. This system facilitates prompt repair work to restore power in the event of lines being cut, as well as more efficient installation planning and operation of equipment.

Laying local distribution lines underground

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

Street with underground power distribution lines

Building electricity-networks that can handle typhoons

Okinawa is frequently hit by typhoons, and our facilities are often damaged by strong winds.

Since fiscal 2005, the Company has been carrying out tests into electricity supply lines that can reduce wind pressure load by 20-30% compared with conventional electricity lines. We plan to introduce wind-pressure resistant lines to ease the load on poles, and build transmission facilities strong enough to withstand typhoon damage.

Wind-pressure resistant power lines

Working for all of Okinawa

Consisting of approximately 160 large and small islands, Okinawa Prefecture forms the most southwesterly point of Japan, extending approximately 400km from north to south and 1,000km from east to west. In addition to the main island of Okinawa, the Company delivers a stable supply of electricity to approximately 40 inhabited islands dotted around a large area of sea. However small an island may be, or however far away, as long as people are living there, our mission is to deliver electricity to them.

Power for remote islands

A vast distance from Japan's main islands, and composed of multiple islands, Okinawa's geographical conditions form a major handicap to the supply of electricity, the foundation of modern society. We are committed to setting up a generation and distribution network that overcomes the difficulties presented by supplies to remote islands.

In addition to the main island of Okinawa, we have established independent internal combustion power-generating facilities in 12 remote islands including Ishigakijima and Miyakojima islands. From these facilities, electricity is supplied to neighboring remote islands round-the-clock using submarine cables.

During emergencies (failure of regular supplies to remote islands), we use gas turbine generator vehicles to ensure a stable supply of electricity.

Laying submarine power cables

Submarine power cables

Miyako No.2 Internal Combustion Power Station

Reducing the costs of supplying remote islands

Because demand is so small in scale and the islands themselves are so far away from the main island of Okinawa, the remote islands present structural issues in terms of supply costs in every category, notably fuel and maintenance expenses. They are more expensive to supply than the main island.

To alleviate the imbalance in revenues and expenses with regard to remote island supplies, the Company set up a Remote Island Company in fiscal 2002, which has achieved results in increasing efficiency on various fronts. Despite a discouraging environment of soaring fuel prices, we intend to persist with these efforts and bring down costs of supplying remote islands.

Remote monitoring of Miyako and Ishigaki power plants

Delivery of fuel

Working with our community

OEPC has grown to its present status in parallel with the development of Okinawa Prefecture, and with the invaluable support and cooperation of many members of the regional community. Under the motto of “With the region, for the region,” the Company aims to contribute to the community on Okinawa, enabling a better life for its residents and building trust in our operations.

Youth programs

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

The Okinawa Young People’s Science Fair

A robot building and control competition for high school students

A “make it together with Mom and Dad” class

Regional economic revitalization

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

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

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

In commemoration of the founding ten years ago of the Momosoe Kai, a Group company association, OEPC donated funds for the construction of the Family House, for the accommodation of parents and other relatives visiting patients at the Nanbu Prefectural Medical Center, a children’s care facility.

Support activities for environmental education

To provide more information about energy to inhabitants of the prefecture and to improve awareness of our environmental initiatives, we dispatch experts to give lectures on environmental and energy topics at the behest of local educational institutions and governments. In addition, to raise awareness of the importance of energy and the way power is generated, we arrange power station study visits and have prepared a range of attractions at the exhibition of electricity and science within Gushikawa Thermal Power Station.

Environmental education lecture

“Get-to-Know Okiden” events

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

Potato planting for children

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

Presentation on electricity

Sports

In 2001, the Company embraced baseball as its “symbol sport.” The aims are to invigorate the workplace through revitalized sports activities and to contribute to the development of sports in the prefecture and help children realize their dreams and ambitions through sports courses. In the field of sports, we sponsor a number of competitive events, including the Okiden Pennant Tournament — a rubber-ball baseball competition for elementary school children — Naginata martial arts tournaments, and the OEPC Cup table tennis team tournament (open to the general public).

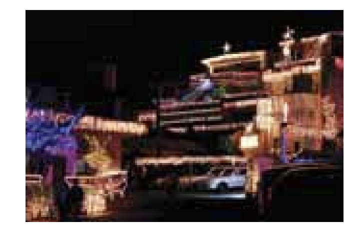
Baseball workshop for children

Okiden Pennant Elementary School Baseball Tournament

Arts and cultural events

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

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

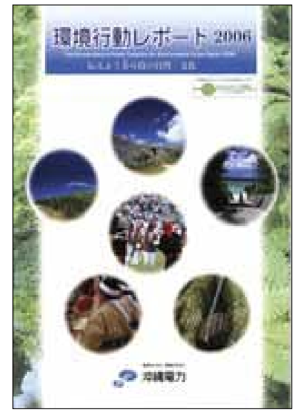


An entry in the contest for the Okiden Illumination Prize

The Okiden Sugar Hall Newcomers’ Performance Audition

Environmental measures

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



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

Improving our environmental management

The Company has established the OEPC Environmental Policy under our Global Environment Action Committee, and is engaged in environmental activities covering all Company businesses.

In March 2005, the Power Generation Dept. of OEPC's Electric Power Engineering Division obtained the 1996 version of the ISO 14001 certification of conformity with international standards for environmental management systems. This certification includes a blanket certification for three thermal power plants, Ishikawa, Gushikawa and Makiminato, which have hitherto obtained such certification separately, as well as Kin, and the Power Generation section at our head office, so that all power generation operations are now covered. Thus, all sections of the Company directly engaged in power generation have now been certified as in conformity with the ISO 140001 standards for environmental management systems. Building on this success, we will ensure that our environmental management systems under the blanket certification work more effectively, and will endeavor to reduce the environmental burden of our operations still further in the future.

An ISO 14001 certificate

Combating global warming

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

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

The Company is raising the awareness of global warming issues through participation in the Team Minus 6% national campaign for prevention of global warming (for achievement of a 6% reduction in emissions of greenhouse gases in Japan, in line with the Kyoto Protocol). We are also aggressively promoting energy-saving measures already in place.

みんなで止めよう温暖化
「沖縄電力」チーム・マイナス6%

Local environmental improvement initiatives

To ensure that the islands of Okinawa retain their beautiful natural environment for the enjoyment of generations yet unborn, we make a special effort to protect the countryside and seaside in the vicinity of our power plants.

At existing power plants, we are undertaking a range of environment protection measures, targeting atmospheric pollution, water pollution, warm wastewater pollution, and noise and vibration issues, to ensure that our activities do not impact the surrounding environment. We also make reports to relevant local authorities based on environment protection agreements, after carrying out environmental monitoring studies into air and water quality and noise and vibration issues around our power plants.

In preparation for the start of operations at our planned Yoshinoura Thermal Power Station in fiscal 2011, we have conducted environmental assessments. We are canvassing the views of local residents as well as the local government, and hope to create a new power plant that will harmonize smoothly with the natural surroundings cherished by the community.

In addition, we are taking the following measures to improve the local environment: rigorous management of chemical substances such as PCB and dioxin; greening power plant sites to achieve more harmony with the natural environment and areas of scenic beauty in the area; and trialing the "greening of the sea" (by planting coral and seaweed) around our power generation facilities.

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

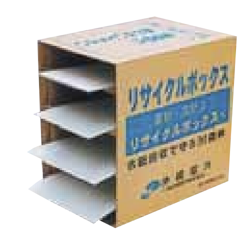
Environmental protection facilities at a power plant
As part of an overall policy of removing harmful chemicals from smoke emitted by our power plants, they are equipped with desulphurization and denitrification equipment.

Creation of sustainable resource reuse system

OEPC is promoting the use of a three-pronged system for handling the waste products generated by its operations. The three-point system incorporates the concepts of "reduce, reuse, and recycle" as a way of optimally utilizing the Earth's limited natural resources. For example, we use the coal ash and gypsum created by the combustion process at our coal-fired power plants as raw materials for cement, as an alternative to sand in the production of synthetic stone materials, and as an agricultural soil improvement agent. In December 2004 we designated Pozotech, a road-surfacing material made from coal ash, as a recycling material for use in Okinawa Prefecture. We aim to expand its use in construction projects.

Road surfaced with OEPC's Pozotech

Artificial gravel



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

Harmony with society

June is environmental month at OEPC. We undertake a range of activities such as raising employee environmental awareness at our head office and power stations, and participating in beach- and highway-cleaning activities and tree-planting organized by local governments.

To promote greening activities as part of our afforestation and global-warming prevention measures, we are turning the former US military shooting range Cape Zampa Park, Yomitan village, into a recreational forest, Zampa Shiosai no Mori, in cooperation with Okinawa Prefecture and Yomitan.

A tree-planting event at "Zampa Shiosai no Mori"

Green energy

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

Biomass energy

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

We are currently studying the various forms and volumes of biomass available in Okinawa Prefecture for use as a fuel in power generation. One likely candidate is the use of wood chips and sawdust, as well as pressed sludge as a fuel source after mixture with coal.

Carbonized sewage sludge

Wood chips

Research into redox flow cell storage battery systems

To level loads and stabilize systems, the Company is researching and trialling redox flow battery facilities.

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

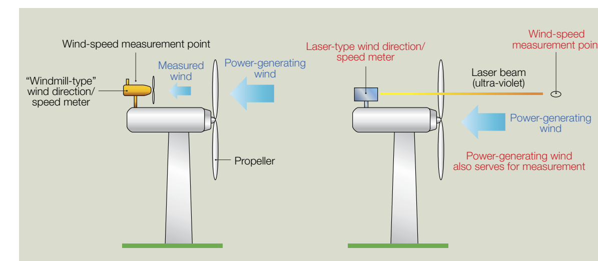
Research into new energy sources

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

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

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

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



Laser-type wind direction/speed meter

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

New Energy Facilities (As of March 31, 2006)

Wind Power Generation Facilities

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

Solar Power Generation Facilities

Name	Capacity (kW)	Started
Tokashiki Solar Power Research Facility	204	April 1988
Zamami Solar Power Research Facility	46	May 1988
Miyako Solar Power Research Facility	490	Sept. 1994
Urasoe Branch Solar Power Generation System	10	May 1998
Naha Branch Solar Power Generation System	12	Dec. 1999
Miyako Branch Solar Power Generation System	10	Jan. 2001
Yaeyama Branch Solar Power Generation System	10	March 2001
Kita-Daito Solar Power Research Facility	40	March 2001
Solar Power Generation EV Station Testing Facility	2	March 2003

Utilizing coal ash to make organic fertilizer

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

We are also making efficient use of this fertilizer in creating the Zampa Shiosai no Mori, with the goal of promoting greening as part of our global warming measures.

Growing vegetables using coal ash as fertilizer (Kin Town)

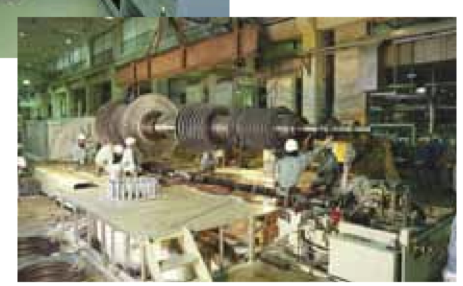
Strengthening group management

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

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

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

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



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

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

Lifestyle support services

Telecommunications services

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

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

OTNetのひかりふる

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

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

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

Operation of on-site power generators

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

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

Nursing care facilities

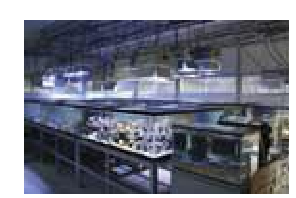
Kanucha Community Co., Inc. is developing a retirement complex with nursing care facilities located in an extensive area of unspoiled nature, providing the highest level of nursing and medical facilities and amenities and capable of responding to the bodily changes that occur as we grow older. The Company enables residents to enjoy their daily lives in every way.

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

In-house venture system

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

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



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

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

Corporate Governance

Basic Approach

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

In the fiscal 2007 business plan, we continue to pursue our Group target of establishing a Group "brand" by raising our reputation for trustworthiness through enhanced compliance.

1. Structure and Internal Controls of Group Organizations

Group Senior Executive Council

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

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

The council receives prior notice and reports from affiliated companies regarding important matters affecting Group management, ensuring that information is shared as thoroughly as possible among Group members and that corrective measures can be rapidly taken.

The Board of Directors / Board of Executive Directors

The Board of Directors, comprising 14 directors including 1 outside director, generally meets twice a month. It decides on important company executive matters, and supervises directors' conduct of operations.

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

Board of Auditors

The Company uses the traditional corporate governance system based on corporate auditors. Corporate auditors supervise the conduct of operations by directors through attendance of important meetings such as the Board of Directors' meeting. The Board of Auditors, comprising 4 statutory auditors and two outside auditors, generally meets once in every two months, and receives and discusses reports concerning important auditing matters. The Board of Auditors has its own staff, working from a corporate auditors' office, to offer support in auditing, and to handle administration. In addition, the corporate auditors work in partnership with independent auditors and internal auditing department to strengthen internal controls and risk avoidance in all Group companies.

Conflict of Interest Involving External Directors and External Auditors

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

Internal Audits

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

Independent Auditors

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

Compliance

The Company upholds and enhances compliance awareness through internal regulations relating to laws and corporate ethics (corporate code of conduct and employee ethical code), and corporate ethics lectures.

To preempt and correct wrongful behavior, we have established a corporate ethics consultation office for legal infringement and ethics issues. Specific cases are discussed by our corporate ethics committee and appropriate measures are taken.

Disclosure

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

Other

To enhance operational efficiency, the Company has acquired the ISO 9001 international quality management standard (excluding the corporate auditors' office and review office). Through internal audits based on ISO 9001 methods the Company is better able to assess compliance with in-house regulations and laws, and promote more efficient operation of our business.

2. Risk Management

The Company has compiled a variety of manuals for each of its offices and departments dealing with hypothetical risk, and is taking measures to forestall risk and deal quickly with it when it occurs.

The Company has fully prepared itself for the occurrence of risk events by compiling a procedure for mobilization of its crisis management centers and a handbook of measures for emergencies and disasters. It has in place a frame work for responding rapidly to major disasters and accidents.

Consolidated Five-Year Summary

Years ended March 31

Financial Statistics	Millions of Yen				
	2006	2005	2004	2003	2002
For the year:					
Operating revenues	**¥157,080**	¥150,768	¥148,626	¥145,072	¥152,714
Electric	**143,234**	136,773	134,330	133,738	138,567
Other	**13,845**	13,995	14,296	11,334	14,146
Operating expenses	**137,264**	133,294	131,767	128,038	133,826
Electric	**123,439**	118,538	117,423	117,455	120,841
Other	**13,824**	14,755	14,344	10,582	12,985
Interest expense	**4,513**	5,586	7,630	8,194	8,986
Income before income taxes and minority interests	**15,437**	11,318	8,811	8,356	9,601
Income taxes	**6,048**	3,915	3,162	3,112	3,434
Net income	**9,975**	7,614	5,496	5,121	5,844
Per share of common stock (Yen):					
Basic net income	**¥620.68**	¥471.22	¥337.56	¥313.34	¥366.88
Cash dividends applicable to the year	**60.00**	60.00	60.00	60.00	60.00
At year-end:					
Total assets	**¥378,666**	¥392,158	¥402,407	¥421,080	¥426,205
Net property, plant and equipment	**328,524**	340,414	356,350	372,062	377,977
Long-term debt, less current maturities	**197,041**	217,225	233,744	254,791	260,108
Total shareholders' equity	**96,899**	86,959	79,447	74,325	70,260

Operating Statistics	**2006**	2005	2004	2003	2002
For the year:					
Electric energy sales (Millions of kWh)	**7,346**	7,193	7,156	6,883	6,889
Peak load (Thousands of kW)	**1,394**	1,363	1,409	1,325	1,396
At year-end:					
Generating capacity (Thousands of kW)	**1,926**	1,916	1,918	1,676	1,676
Transmission lines (km)	**945**	906	870	799	787
Distribution lines (km)	**10,562**	10,516	10,483	10,372	10,329

Financial Review (consolidated)

Business Performance

A strong tourist industry led economic recovery in Okinawa Prefecture in fiscal 2006 (the fiscal year ended March 31, 2006). Although unemployment remained high overall, the prefectural economy showed signs of firm recovery with sustained improvement in the employment picture on the back of resurgent consumer spending and recovery momentum in the Japanese economy.

In these economic conditions, electric power demand in the fiscal year under review rose year-on-year, with residential and commercial power use driven up year-on-year by high late summer temperatures and an increase in the number of customers. Industrial consumption also rose year-on-year due to increased demand from sectors such as food-processing.

Residential power demand rose 3.2% to 2,901 million kWh, and industrial demand rose 1.4% to 4,445 million kWh. Total sales volume rose 2.1% year-on-year to 7,346 million kWh.

The operating environment was difficult in construction, an important business for our consolidated subsidiaries. Despite growth momentum in private-sector projects, boosted by economic recovery, the sector was hit by a reduction in the number of public works projects and intensified price competition, as well as the increasing diversification and sophistication of IT/telecommunications industry requirements and lowering of prices.

Against this backdrop, operating revenues (sales) on a consolidated basis rose ¥6,311 million or 4.2% year-on-year to ¥157,080 million. Revenues at the company and its consolidated subsidiaries were affected by a fall in electricity rates implemented in July 2005, but this was more than outweighed by the increase in net volume of power sold and the impact of "fuel price adjustment" measures (increased rates to compensate for higher fuel prices — i.e. passing on part of the extra cost burden to the user).

Operating expenses rose ¥3,969 million or 3.0% to ¥137,264 million. A major increase in fuel expenses due to soaring fuel prices, and an increase in charges for electricity procured from other companies, were offset by declined depreciation costs at the Kin Thermal Power Station, and Groupwide efforts to promote rationalization and cut costs across the board.

As a result, operating income increased ¥2,341 million or 13.4% to ¥19,816 million. And net income increased 31.0% or ¥2,361 million to ¥9,975 million.

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

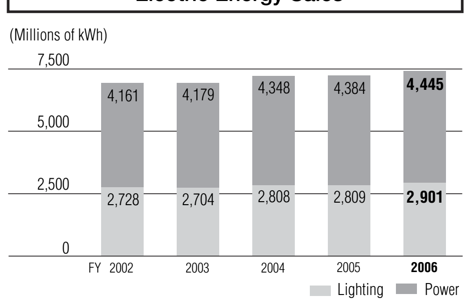
1. Electric Power Business

Electric utility operating revenues increased ¥6,398 million, or 4.7%, to ¥143,383 million. Despite the adverse impact of lower power rates, we increased sales volumes and benefited from fuel charge adjustment measures described above.

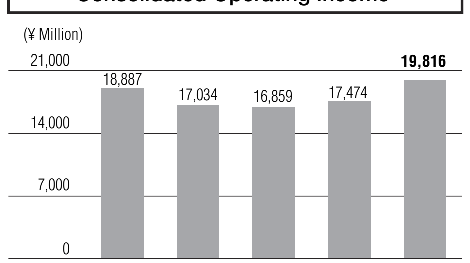
Operating expenses increased ¥5,094 million, or 4.3%, to ¥124,909 million. A substantial increase in fuel charges due to soaring fuel prices, was offset by a decline in depreciation expenses of the Kin Thermal Power Station, as well as Groupwide rationalization measures and efforts to cut costs.

As a result of the foregoing, operating income rose ¥1,304 million, or 7.6%, to ¥18,473 million.

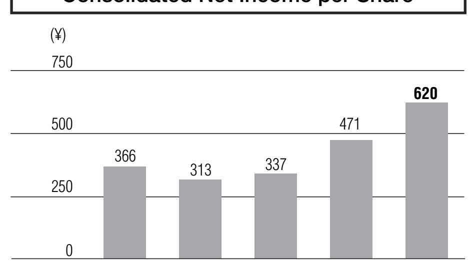
Electric Energy Sales



Consolidated Operating Income



Consolidated Net Income per Share



2. Construction Business

Sales in the construction business increased ¥1,965 million, or 10.4%, to ¥20,884 million on the back of increased private-sector construction projects and large-scale electric power-related projects (construction of the Shimabukuro transmission line). Operating expenses increased ¥1,747 million, or 9.4%, to ¥20,368 million.

As a result of the foregoing, operating income in the period under review increased ¥218 million, or 73.4%, to ¥515 million.

3. Other Operations

Sales in other operations increased by ¥281 million, or 1.0%, to ¥28,884 million. Operating income increased ¥1,182 million to ¥981 million (compared with a consolidated operating loss of ¥201 million in the previous term). The main factors were the absence of expenses incurred in the July 2005 from liquidation of Astel Okinawa Corp., as well as rationalization and cost-cutting measures.

(Note): The above values do not include consumption tax.

Cash Flows

Net cash provided by operating activities declined ¥6,641 million, or 16.4% compared with the previous term, to ¥33,898 million. Despite the increase in income before income tax, we posted a decline in depreciation expenses and the provision for employees' retirement benefits.

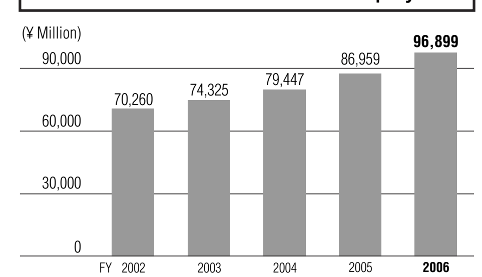
Net cash used in investing activities grew ¥860 million, or 5.9% compared with the previous term, to ¥15,535 million, reflecting a decline in revenues due to reduced withdrawals from time deposits.

As a result of the above, free cash flow declined ¥7,501 million, or 29.0%, to ¥18,362 million compared to the previous term.

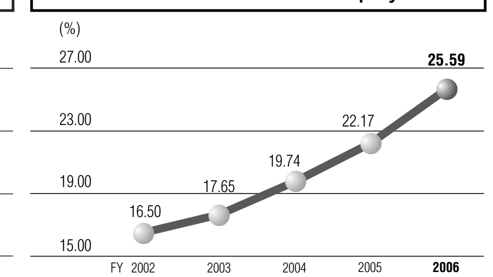
Net cash used in investing activities declined ¥5,823 million compared with the previous term, or 24.1%, to ¥18,294 million. The main factor was decreased expenses from repayment of long-term borrowings.

As a result of the above, cash and cash equivalents at the end of the term under review totaled ¥9,831 million, a rise of ¥68 million, or 0.7%, compared with the previous term.

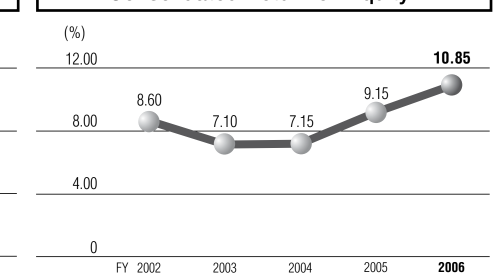
Consolidated Shareholders' Equity



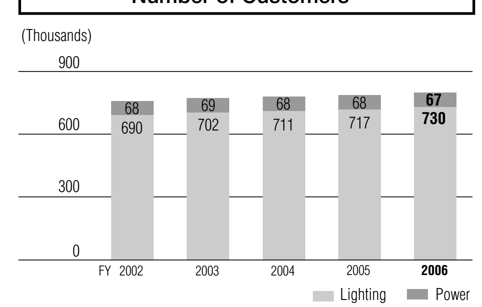
Consolidated Shareholders' Equity Ratio



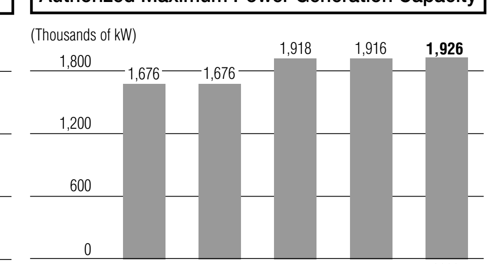
Consolidated Return on Equity



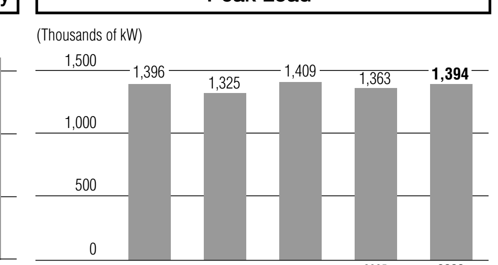
Number of Customers



Authorized Maximum Power Generation Capacity



Peak Load



Operational Risks

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 2006, 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 Group's 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 ¥239.2 billion as of March 31, 2006. 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

Despite ample measures to maintain data confidentiality, 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.

Consolidated Balance Sheets

March 31, 2006 and 2005	Millions of Yen 2006	Millions of Yen 2005	Thousands of U.S. Dollars (Note 1) 2006
Assets			
Property, plant and equipment (Note 3):			
Utility plants	**¥746,931**	¥741,362	**$6,358,489**
Other plant and equipment (Note 5)	**41,053**	41,777	**349,484**
Construction in progress	**11,605**	6,189	**98,793**
	799,590	789,329	**6,806,767**
Less:			
Contributions in aid of construction	**(22,565)**	(22,343)	**(192,091)**
Accumulated depreciation	**(488,501)**	(426,571)	**(3,818,010)**
	(471,066)	(448,914)	**(4,010,102)**
Net property, plant and equipment	**328,524**	340,414	**2,796,664**
Investments and other assets:			
Investment securities (Note 4)	**11,360**	9,033	**96,710**
Investments in and advances to non-consolidated subsidiaries and affiliates	**521**	733	**4,442**
Deferred tax assets (Note 8)	**8,643**	11,644	**73,583**
Other assets	**2,653**	2,897	**22,589**
Allowance for doubtful accounts	**(117)**	(239)	**(1,507)**
Total investments and other assets	**23,002**	24,070	**195,819**
Current assets:			
Cash and cash equivalents	**9,831**	9,762	**83,689**
Trade notes and accounts receivable, net of allowance for doubtful accounts of ¥249 ($2,127) in 2006 and ¥229 in 2005	**7,128**	7,563	**60,687**
Inventories	**7,527**	8,055	**64,076**
Deferred tax assets (Note 8)	**1,867**	1,664	**15,897**
Other current assets	**784**	628	**6,680**
Total current assets	**27,139**	27,673	**231,031**
Total	**¥378,666**	¥392,158	**$3,223,515**
Liabilities and shareholders' equity			
Long-term liabilities:			
Long-term debt, less current maturities (Note 5)	**¥197,041**	¥217,225	**$1,677,381**
Liabilities for employees' retirement benefits (Note 7)	**13,151**	17,059	**111,953**
Other long-term liabilities (Note 8)	**584**	688	**4,975**
Total long-term liabilities	**210,777**	234,974	**1,794,310**
Current liabilities:			
Current maturities of long-term debt (Note 5)	**34,642**	34,042	**294,907**
Commercial paper (Note 6)	**2,000**		**17,025**
Short-term bank loans (Note 6)	**5,547**	5,219	**47,221**
Trade notes and accounts payable	**17,274**	14,015	**147,056**
Income taxes payable	**1,628**	3,971	**13,863**
Accrued expenses	**5,839**	6,911	**49,709**
Other current liabilities	**3,059**	4,460	**26,043**
Total current liabilities	**69,991**	68,621	**595,828**
Minority interests	**997**	1,603	**8,493**
Commitments and contingent liabilities (Notes 9 and 10)			
Shareholders' equity (Note 11):			
Common stock,			
Authorized — 30,000,000 shares			
Issued — 15,931,567 shares in 2006 and 15,172,921 shares in 2005	**7,586**	7,586	**64,582**
Capital surplus	**7,141**	7,141	**60,795**
Retained earnings	**79,464**	70,531	**676,465**
Unrealized gain on available-for-sale securities	**2,812**	1,720	**23,943**
Treasury stock, at cost — 22,522 shares in 2006, 6,677 shares in 2005	**(106)**	(20)	**(902)**
Total shareholders' equity	**96,899**	86,959	**824,884**
Total	**¥378,666**	¥392,158	**$3,223,515**

See notes to consolidated financial statements.

Consolidated Statements of Income

Years ended March 31, 2006 and 2005	Millions of Yen 2006	Millions of Yen 2005	Thousands of U.S. Dollars (Note 1) 2006
Operating revenues:			
Electric	**¥143,234**	¥136,773	**$1,219,326**
Other	**13,845**	13,995	**117,866**
Total operating revenues	**157,080**	150,768	**1,337,193**
Operating expenses (Notes 7, 9 and 12)**:**			
Electric	**123,439**	118,538	**1,050,820**
Other	**13,824**	14,755	**117,682**
Total operating expenses	**137,264**	133,294	**1,168,503**
Operating income	**19,816**	17,474	**168,689**
Other expenses:			
Interest expense (Notes 5 and 6)	**4,513**	5,586	**38,424**
Other — net	**(134)**	569	**(1,147)**
Net other expenses	**4,378**	6,156	**37,276**
Income before income taxes and minority interests	**15,437**	11,318	**131,413**
Income taxes (Note 8)**:**			
Current	**3,855**	5,519	**32,817**
Deferred	**2,193**	(1,604)	**18,671**
Total	**6,048**	3,915	**51,488**
Income before minority interests	**9,388**	7,403	**79,924**
Minority interests in net income	**(587)**	(211)	**(4,998)**
Net income	**¥ 9,975**	¥ 7,614	**$ 84,922**

	Yen 2006	Yen 2005	U.S. Dollars 2006
Per share of common stock (Note 2 (k))**:**			
Basic net income	**¥620.68**	¥471.22	**$5.28**
Cash dividends applicable to the year	**60.00**	60.00	**0.51**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Years ended March 31, 2006 and 2005	Shares: Issued number of shares of common stock	Millions of Yen: Common stock	Capital surplus	Retained earnings	Unrealized gain on available-for-sale securities	Treasury stock
Balance, April 1, 2004	15,172,921	¥7,586	¥7,141	¥64,145	¥ 586	¥ (12)
Adjustment of retained earnings for newly consolidated subsidiaries				(197)		
Appropriations:						
Cash dividends				(910)		
Bonuses to directors and corporate auditors				(121)		
Increase in treasury stock (1,936 shares)						(8)
Net increase in unrealized gain on available-for-sale securities					1,134	
Net income				7,614		
Balance, March 31, 2005	15,172,921	7,586	7,141	70,531	1,720	(20)
Common stock split (Note 11)	**758,646**					
Appropriations:						
Cash dividends				**(932)**		
Bonuses to directors and corporate auditors				**(110)**		
Increase in treasury stock (15,845 shares)						**(85)**
Net increase in unrealized gain on available-for-sale securities					**1,091**	
Net income				**9,975**		
Balance, March 31, 2006	**15,931,567**	**¥7,586**	**¥7,141**	**¥79,464**	**¥2,812**	**¥(106)**

	Thousands of U.S. Dollars (Note 1): Common stock	Capital surplus	Retained earnings	Unrealized gain on available-for-sale securities	Treasury stock
Balance, March 31, 2005	$64,582	$60,795	$600,417	$14,649	$(177)
Appropriations:					
Cash dividends			**(7,936)**		
Bonuses to directors and corporate auditors			**(937)**		
Increase in treasury stock (15,845 shares)					**(725)**
Net increase in unrealized gain on available-for-sale securities				**9,293**	
Net income			**84,922**		
Balance, March 31, 2006	**$64,582**	**$60,795**	**$676,465**	**$23,943**	**$(902)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2006 and 2005	Millions of Yen 2006	Millions of Yen 2005	Thousands of U.S. Dollars (Note 1) 2006
Operating activities:			
Income before income taxes and minority interests	**¥15,437**	¥11,318	**$131,413**
Adjustments for:			
Income taxes paid	**(6,197)**	(3,870)	**(52,760)**
Depreciation and amortization	**26,577**	30,093	**226,249**
Provision for employees' retirement benefits	**(3,908)**	379	**(33,273)**
Loss on disposal of property, plant and equipment	**513**	901	**4,368**
Changes in operating assets and liabilities:			
Decrease (increase) in trade notes and accounts receivable	**414**	(291)	**3,526**
Decrease (increase) in inventories	**593**	(1,315)	**5,051**
Increase in trade notes and accounts payable	**3,259**	1,275	**27,746**
Decrease in interest payable	**(171)**	(325)	**(1,460)**
Other — net	**(2,617)**	2,372	**(22,285)**
Total adjustments	**18,461**	29,221	**157,160**
Net cash provided by operating activities	**33,898**	40,539	**288,573**
Investing activities:			
Purchase of property, plant and equipment	**(15,880)**	(15,685)	**(135,186)**
Proceeds from sale of property, plant and equipment	**733**	574	**6,246**
Purchase of investment securities	**(38)**	(147)	**(325)**
Increase in investments in and advances to unconsolidated subsidiaries and affiliates	**(151)**	(142)	**(1,292)**
Purchase of short-term investment	**(180)**	(1,045)	**(1,532)**
Proceeds from maturity of short-term investment	**15**	1,730	**129**
Other — net	**(34)**	40	**(293)**
Net cash used in investing activities	**(15,535)**	(14,675)	**(132,254)**
Financing activities:			
Proceeds from issuance of bonds	**1,989**	6,969	**16,937**
Repayments of bonds	**(3,000)**	(2,000)	**(25,538)**
Proceeds from long-term debt	**12,459**	15,700	**106,061**
Repayments of long-term debt	**(31,042)**	(40,350)	**(264,255)**
Proceeds from short-term bank loans	**32,199**	12,324	**274,111**
Repayments of short-term bank loans	**(31,872)**	(12,154)	**(271,326)**
Proceeds from issuance of commercial paper	**24,000**	19,000	**204,307**
Repayments on maturity of commercial paper	**(22,000)**	(22,000)	**(187,281)**
Cash dividends paid	**(935)**	(911)	**(7,964)**
Other — net	**(92)**	(695)	**(785)**
Net cash used in financing activities	**(18,294)**	(24,118)	**(155,735)**
Net increase in cash and cash equivalents	**68**	1,746	**583**
Cash and cash equivalents of newly consolidated subsidiaries		15	
Cash and cash equivalents, beginning of year	**9,762**	7,999	**83,105**
Cash and cash equivalents, end of year	**¥ 9,831**	¥ 9,762	**$ 83,689**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended March 31, 2006 and 2005

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been 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 Electricity Utilities Industry 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 2005 financial statements to conform to the classifications used in 2006.

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 ¥117.47 to $1, the approximate rate of exchange at March 31, 2006. 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.

Amounts of less than one million yen have been rounded off except for per share data. Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts.

2. Summary of significant accounting policies

(a) Consolidation

The consolidated financial statements for the years ended March 31, 2006 include the accounts of the Company and its thirteen significant subsidiaries (fourteen for 2005). On July 2, 2005, consolidated subsidiary, Astel Okinawa Corp., finished the legal procedures for liquidation, therefore, the number of consolidated subsidiaries is thirteen as of March 31, 2006. The settlement date of the Company is March 31 and all consolidated subsidiaries adopt the same settlement date.

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. 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.

Depreciation is principally computed using the declining-balance method based on the estimated useful lives of the assets. Depreciation of easements is computed using the straight-line method based on the estimated useful lives of the transmission lines.

Prior to April 1, 2005, the Company treated easements related to right-of-way below transmission lines as non-depreciable assets. Effective April 1, 2005, the Company began depreciation of such easements to determine transmission and distribution costs more adequately in accordance with the revision of the Japanese Electricity Utilities Industry Law requiring electric utility providers to account for revenues and expenses of transmission and distribution. The effect of this change was minimal.

(c) Long-lived assets

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

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

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

(d) Investment securities

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

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

(e) Cash and cash equivalents

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

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

(f) Inventories

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

(g) Derivative financial instruments

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

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

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

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

(h) Severance payments and pension plan

The liability for retirement benefits are accounted for based on projected benefit obligations and plan assets at the balance sheet date in order to provide employees' severance and retirement benefits.

Prior service costs are recognized in expenses within the statement of income for the year ended March 31, 2006.

Actuarial gains and losses are recognized in expenses using a declining-balance method over five years which is within the average of estimated remaining periods of the employees commencing with the following period.

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

(i) Income taxes

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

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

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

(k) Per share information

Basic net income per share is computed by dividing net income available to common shareholders, by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. On May 20, 2005, the Company made a 1.05-for-1 stock split for each outstanding share. The weighted-average number of common shares used in the computation was 15,913,646 and 15,925,398 shares for the years ended March 31, 2006 and 2005.

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

(l) Lease

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

(m) Appropriations of retained earnings

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

(n)New Accounting Pronouncements

Business Combination and Business Separation

In October 2003, the Business Accounting Council (BAC) issued a Statement of Opinion, "Accounting for Business Combinations," and on December 27, 2005 the Accounting Standards Board of Japan (ASBJ) issued "Accounting Standard for Business Separations" and ASBJ Guidance No.10, "Guidance for Accounting Standard for Business Combinations and Business Separations." These new accounting pronouncements are effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. These specific criteria are as follows:

(a) the consideration for the business combination consists solely of common shares with voting rights,

(b) the ratio of voting rights of each predecessor shareholder group after the business combination is nearly equal, and

(c) there are no other factors that would indicate any control exerted by any shareholder group other than voting rights.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures. Goodwill, including negative goodwill, is to be systematically amortized over 20 years or less, but is also subject to an impairment test.

Under the accounting standard for business separations, in a business separation where the interests of the investor no longer continue and the investment is settled, the difference between the fair value of the consideration received for the transferred business and the book value of net assets transferred to the separated business is recognized as a gain or loss on business separation in the statement of income. In a business separation where the interests of the investor continue and the investment is not settled, no such gain or loss on business separation is recognized.

Stock options

On December 27, 2005, the ASBJ issued "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of shareholders' equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

Bonuses to directors and corporate auditors

Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No.13, "Accounting treatment for bonuses to directors and corporate auditors," which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

Presentation of shareholders' equity

On December 9, 2005, the ASBJ published a new accounting standard for presentation of shareholders' equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of shareholders' equity. Such items include stock acquisition rights, minority interest and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006.

3. Property, plant and equipment

The major classes of property, plant and equipment as of March 31, 2006 and 2005, consisted of the following:

	Millions of Yen			
At March 31, 2006	Original Cost	Contributions in Aid of Construction	Accumulated Depreciation	Carrying Value
Thermal power				
generating facilities	**¥374,917**	**¥(17,073)**	**¥(238,625)**	**¥119,219**
Transmission facilities	**130,674**	**(2,402)**	**(66,775)**	**61,496**
Transformation facilities	**85,530**	**(511)**	**(52,158)**	**32,859**
Distribution facilities	**132,065**	**(2,215)**	**(63,155)**	**66,694**
General facilities	**23,744**	**(23)**	**(11,730)**	**11,990**
Utility plants	**746,931**	**(22,226)**	**(432,445)**	**292,259**
Other plant and				
equipment	**41,053**	**(338)**	**(16,056)**	**24,659**
Construction in progress	**11,605**			**11,605**
Total	**¥799,590**	**¥(22,565)**	**¥(448,501)**	**¥328,524**

	Millions of Yen			
At March 31, 2005	Original Cost	Contributions in Aid of Construction	Accumulated Depreciation	Carrying Value
Thermal power				
generating facilities	¥373,701	¥(17,089)	¥(225,333)	¥131,277
Transmission facilities	128,926	(2,331)	(62,447)	64,148
Transformation facilities	84,716	(372)	(49,871)	34,472
Distribution facilities	129,439	(2,187)	(60,747)	66,505
General facilities	24,578	(23)	(11,748)	12,806
Utility plants	741,362	(22,003)	(410,149)	309,209
Other plant and				
equipment	41,777	(339)	(16,422)	25,015
Construction in progress	6,189			6,189
Total	¥789,329	¥(22,343)	¥(426,571)	¥340,414

	Thousands of U.S. Dollars			
At March 31, 2006	Original Cost	Contributions in Aid of Construction	Accumulated Depreciation	Carrying Value
Thermal power				
generating facilities	**$3,191,603**	**$(145,343)**	**$(2,031,370)**	**$1,014,889**
Transmission facilities	**1,112,409**	**(20,452)**	**(568,450)**	**523,506**
Transformation facilities	**728,101**	**(4,355)**	**(444,016)**	**279,728**
Distribution facilities	**1,124,247**	**(18,861)**	**(537,629)**	**567,755**
General facilities	**202,128**	**(197)**	**(99,861)**	**102,069**
Utility plants	**6,358,489**	**(189,209)**	**(3,681,329)**	**2,487,950**
Other plant and				
equipment	**349,484**	**(2,881)**	**(136,681)**	**209,920**
Construction in progress	**98,793**			**98,793**
Total	**$6,806,767**	**$(192,091)**	**$(3,818,010)**	**$2,796,664**

4. Investment securities

The carrying amounts and aggregate fair values of investment securities at March 31, 2006 and 2005 were as follows:

	Millions of Yen			
At March 31, 2006	Cost (Carrying Amount)	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥2,543**	**¥4,421**		**¥6,964**
Other	**549**		**¥8**	**540**
Total	**¥3,092**	**¥4,421**	**¥8**	**¥7,505**

	Millions of Yen			
At March 31, 2005	Cost (Carrying Amount)	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥2,521	¥2,705		¥5,226
Debt securities	20			20
Other	299		¥11	288
Total	¥2,841	¥2,705	¥11	¥5,535

	Thousands of U.S. Dollars			
At March 31, 2006	Cost (Carrying Amount)	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$21,650**	**$37,638**		**$59,288**
Other	**4,675**		**$72**	**4,602**
Total	**$26,325**	**$37,638**	**$72**	**$63,891**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2006 and 2005 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Available-for-sale:			
Equity securities	**¥3,855**	¥3,498	**$32,819**
Total	**¥3,855**	¥3,498	**$32,819**

5. Long-term debt

Long-term debt at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Secured bond, 0.20% to 1.97% in 2006 and 0.20% to 1.97% in 2005, due serially through 2018	**¥ 58,000**	¥ 59,000	**$ 493,743**
Secured loans from Okinawa Development Finance Public Corporation, 0.55% to 6.20% in 2006 and 0.55% to 6.20% in 2005, due serially through 2024	**163,311**	179,533	**1,390,236**
Secured and unsecured loans from banks, insurance companies and other sources, 0.15% to 3.40% in 2006 and 0.12% to 3.40% in 2005 due serially through 2016	**10,373**	12,734	**88,309**
Total	**231,684**	251,267	**1,972,289**
Less current maturity	**(34,642)**	(34,042)	**(294,907)**
Long-term debt, less current maturity	**¥197,041**	¥217,225	**$1,677,381**

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 ¥10,310 million ($87,767 thousand), are pledged as collateral for a portion of the long-term debt as of March 31, 2006.

The aggregate annual maturities of long-term debt outstanding at March 31, 2006 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2007	¥ 34,642	$ 294,907
2008	25,564	217,625
2009	26,332	224,166
2010	21,819	185,745
2011	32,255	274,587
2012 and thereafter	91,069	775,257
Total	¥231,684	$1,972,289

6. Short-term bank loans and commercial paper

The weighted average interest rates of short-term bank loans were 0.56% and 0.45% at March 31, 2006 and 2005, respectively. At March 31, 2006, the weighted average interest rate applicable to commercial paper was 0.07%.

7. Employees' retirement benefits

After having obtained the labor union's mutual agreement in October 2005, the Company revised its rules related to retirement benefit and pension plan to new rules under the Defined Benefit Corporate Pension Law. Elements of the new rules applied from January 1, 2006 are as follows:

- The Company shifted from a qualified retirement pension plan to contract-type corporate pension plan, which is a defined benefit pension plan based on variable interest rate, enabling the Company to flexibly respond to market interest rate fluctuations.
- A part of the former lump-sum retirement benefit plan was shifted to a defined contribution pension plan and a contract-type corporate pension plan.
- Benefits under the plans are calculated according to accumulated "points" that are earned based on employee's position and length of service period during employment.

Consolidated subsidiaries have the tax qualified pension plan and the lump-sum retirement benefit plan as defined benefit plan.

The liability for employees' retirements benefit at March 31, 2006 and 2005 consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Projected benefit obligation	¥23,722	¥27,210	$201,948
Fair value of pension assets	(10,419)	(9,130)	(88,694)
Unrecognized actuarial loss	(152)	(1,020)	(1,300)
Net liability	¥13,151	¥17,059	$111,953

The effect of the transition to the defined contribution pension plan at March 31, 2006, is summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
Decrease in projected benefit obligation	¥3,259	$27,749
Unrecognized actuarial loss	(242)	(2,063)
Decrease in liability for severance and retirement benefits	¥3,017	$25,685

As the result of the revision mentioned above, operating income and income before income taxes and minority interests increased by ¥1,006 million ($8,567 thousand) and ¥333 million ($2,837 thousand), respectively for the year ended March 31, 2006.

The amount of pension assets to be transferred to the defined contribution pension plan is ¥3,690 million ($31,416 thousand) and the pension assets will be transferred over a period of 4 years. The amount of pension assets not yet transferred is ¥2,769 million ($23,573 thousand), which is included in other current liabilities.

The components of net periodic retirement benefit costs for the years ended March 31, 2006 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Service cost	¥1,275	¥1,471	$10,861
Interest cost	421	464	3,586
Recognized actuarial loss	329	667	2,809
Prior service cost	(838)		(7,135)
Net periodic retirement benefit costs	¥1,189	¥2,603	$10,121
Loss on the transition to the defined contribution pension plan	673		5,730

Assumptions for actuarial computations for the years ended March 31, 2006 and 2005 were set forth as follows:

	2006	2005
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	0.0%	0.0%
Recognition period of actuarial gain/loss	primarily 5 years	primarily 5 years

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

8. Income taxes

The Companies are subject to several taxes based on income and revenue. For the years ended March 31, 2006 and 2005, the aggregate normal statutory tax rates approximated 35%.

The tax effects of significant temporary differences and loss carry forwards, which resulted in deferred tax assets and liabilities at March 31, 2006 and 2005, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Deferred tax assets:			
Pension and severance costs	¥ 4,641	¥ 5,624	$ 39,513
Unrealized profit	3,955	4,174	33,671
Depreciation and amortization	1,748	1,768	14,882
Accrued defined contribution pension plan	969		8,250
Other	3,579	6,027	30,467
Sub-total	14,893	17,595	126,785
Less: valuation allowance	(2,424)	(2,898)	(20,642)
Total deferred tax assets	¥12,468	¥14,696	$106,143
Deferred tax liabilities:			
Unrealized gain on land revaluation	(406)	(426)	(3,463)
Unrealized gain on available-for-sale securities	(1,559)	(951)	(13,279)
Other	(1)	(16)	(14)
Total deferred tax liabilities	(1,968)	(1,393)	(16,757)
Net deferred tax assets	¥10,500	¥13,302	$ 89,385

Other long-term liabilities in the consolidated balance sheets contain deferred tax liabilities of ¥11 million ($96 thousand) and ¥6 million for the years ended March 31, 2006 and 2005, respectively, recognized in consolidated subsidiaries.

Reconciliations between the normal effective statutory tax rate for the years ended March 31, 2006 and the actual effective tax rate reflected in the accompanying consolidated statements of income were as follows:

	2006
Normal effective statutory tax rate	35.0%
Expenses not deductible for income tax purposes	1.0
Changes in valuation allowance	2.1
Unrecognized tax effect against elimination of unrealized profit	1.7
Other-net	(0.6)
Actual effective tax rate	39.2%

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, 2005 is immaterial.

9. Lease

The Companies lease certain automobiles and office equipment. Total lease payments under the above leases for the years ended March 31, 2006 and 2005 were ¥853 million ($7,262 thousand) and ¥833 million, respectively.

Pro forma information on leased property such as acquisition cost, accumulated depreciation, obligation under finance leases, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2006 and 2005 were as follows:

	Millions of Yen		
As of March 31, 2006	General Facilities	Other	Total
Acquisition cost	¥1,680	¥4,078	¥5,578
Accumulated depreciation	(1,255)	(1,135)	(2,390)
Net leased property	¥ 425	¥2,942	¥3,367

	Millions of Yen		
As of March 31, 2005	General Facilities	Other	Total
Acquisition cost	¥1,621	¥3,608	¥5,229
Accumulated depreciation	(984)	(756)	(1,741)
Net leased property	¥ 637	¥2,851	¥3,488

	Thousands of U.S. Dollars		
As of March 31, 2006	General Facilities	Other	Total
Acquisition cost	$14,302	$34,716	$49,018
Accumulated depreciation	(10,683)	(9,669)	(20,353)
Net leased property	$ 3,618	$25,046	$28,665

Obligations under finance leases as of March 31, 2006 and 2005:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Due within one year	¥ 786	¥ 799	$ 6,697
Due after one year	2,594	2,709	22,087
Total	¥3,381	¥3,508	$28,784

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

Depreciation expense, which is not reflected in the accompanying consolidated statements of income, computed by the straight-line method over the remaining lease term was ¥853 million ($7,262 thousand) and ¥833 million for the years ended March 31, 2006 and 2005, 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, 2006 and 2005 were ¥152 million ($1,298 thousand) and ¥117 million, respectively. Lease income is recognized in income on a straight-line basis over the lease term.

At March 31, 2006 and 2005, summaries of the above leased property were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Other equipment:			
Acquisition cost	¥702	¥578	$5,978
Accumulated depreciation	(252)	(227)	(2,146)
Net leased property	¥450	¥351	$3,832

At March 31, 2006 and 2005, the total lease payments to be received from the above leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Due within one year	¥165	¥140	$1,404
Due after one year	393	375	3,350
Total	¥558	¥516	$4,755

10. Contingent liabilities

As of March 31, 2006, the Company was contingently liable for:

Redemption of bonds transferred to banks under the debt assumption agreements amounting to ¥6,000 million ($51,076 thousand).

11. Shareholders' equity

Through May 1, 2006, Japanese companies are subject to the Commercial Code of Japan (the "Code").

The Code requires that all shares of common stock be issued 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 are required to be presented 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 by way of a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The Code also provides that an amount of 10% or more of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period (such as bonuses to directors) shall be appropriated as a legal reserve (a component of retained earnings) until the total of such reserve and additional paid-in capital equals 25% of common stock. The amount of total legal reserve and additional paid-in capital that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders after transferring such excess in accordance with the Code. 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 Code allows Japanese companies to purchase treasury stock and dispose of such treasury stock upon resolution of the Board of Directors. The aggregate purchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve that could be transferred to retained earnings or other capital surplus other than additional paid-in capital upon approval of such transfer at the annual general meeting of shareholders.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash outlays, the Code also imposes certain limitations on the amount of capital surplus and retained earnings available for dividends. The amount of capital surplus and retained earnings available for dividends under the Code was ¥75,957 million ($646,613 thousand) as of March 31, 2006, based on the amount recorded in the Company's general books of account.

Dividends are approved by the shareholders at a meeting held subsequent to the end of 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. On May 20, 2005, the Company made a 1.05–for-1 stock split for each outstanding share and 758,646 shares were consequently issued to shareholders recorded in the registration book of shareholders on March 31, 2005.

If the stock split had gone into effect during the year ended March 31, 2005, net income per share would have been ¥471.22 in 2005.

On May 1, 2006, a new corporate law (the "Corporate Law") became effective, which reformed and replaced the Code with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below;

(a)Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation. The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. Under the Code, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases / decreases and transfer of common stock, reserve and surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Code, the aggregate amount of additional paid-in capital and legal reserve that exceeds 25% of the common stock may be made available for dividends by resolution of the shareholders. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of shareholders' equity. The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of shareholders' equity or deducted directly from stock acquisition rights.

12. Research and development costs

Research and development costs charged to income were ¥547 million ($4,657 thousand) and ¥593 million for the years ended March 31, 2006 and 2005, respectively.

13. Segment information

Information about operations in different industry segments of the Companies for the years ended March 31, 2006 and 2005 is as follows:

	Millions of Yen					Thousands of U.S. Dollars				
2006	Electric	Construction	Other	Elimination	Consolidated	Electric	Construction	Other	Elimination	Consolidated
Sales to customers	¥143,234	¥ 6,246	¥ 7,598		¥157,080	$1,219,326	$ 53,178	$ 64,688		$1,337,193
Intersegment sales	148	14,637	21,285	¥(36,072)		1,268	124,606	181,201	$(307,076)	
Total operating revenues	143,383	20,884	28,884	(36,072)	157,080	1,220,594	177,785	245,890	(307,076)	1,337,193
Operating expenses	124,909	20,368	27,903	(35,917)	137,264	1,063,331	173,396	237,537	(305,762)	1,168,503
Operating income	¥ 18,473	¥ 515	¥ 981	¥ (154)	¥ 19,816	$ 157,263	$ 4,388	$ 8,352	$ (1,314)	$ 168,689
Total assets	¥345,684	¥11,928	¥35,448	¥(14,394)	¥378,666	$2,942,748	$101,542	$301,766	$(122,541)	$3,223,515
Depreciation and amortization	25,121	154	2,129	(827)	26,577	213,853	1,313	18,125	(7,043)	226,249
Capital expenditures	14,432	259	2,136	(946)	15,881	122,859	2,204	18,185	(8,055)	135,195

	Millions of Yen				
2005	Electric	Construction	Other	Elimination	Consolidated
Sales to customers	¥136,773	¥ 5,570	¥ 8,425		¥150,768
Intersegment sales	211	13,348	20,178	¥(33,737)	
Total operating revenues	136,984	18,918	28,603	(33,737)	150,768
Operating expenses	119,815	18,621	28,804	(33,946)	133,294
Operating income	¥ 17,169	¥ 297	¥ (201)	¥ 208	¥ 17,474
Total assets	¥356,920	¥14,393	¥34,041	¥(13,196)	¥392,158
Depreciation and amortization	27,773	130	3,080	(891)	30,093
Capital expenditures	12,891	693	2,812	(731)	15,665

"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, 2006 and 2005.

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.

Since all derivatives utilized by the Company were qualified for hedge-accounting, information on the market value is not provided.

15. Subsequent event

The following appropriations of retained earnings at March 31, 2006 were approved at the Company's shareholders' meeting held on June 29, 2006:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30 (26¢) per share	¥477	$4,062
Bonuses to directors and corporate auditors	75	643

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of The Okinawa Electric Power Company, Incorporated (the "Company") and consolidated subsidiaries (together the "Companies") as of March 31, 2006 and 2005, 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, 2006 and 2005, and the consolidated results of their operations and 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, 2006

Member of
Deloitte Touche Tohmatsu

Non-Consolidated Balance Sheets

March 31, 2006 and 2005	Millions of Yen 2006	Millions of Yen 2005	Thousands of U.S. Dollars (Note 1) 2006
Assets			
Property, plant and equipment (Note 3):			
Utility plants and equipment	**¥771,319**	¥765,184	**$6,566,099**
Construction in progress	**11,424**	6,406	**97,256**
	782,744	771,591	**6,663,355**
Less:			
Contributions in aid of construction	**(22,226)**	(22,003)	**(189,211)**
Accumulated depreciation	**(445,579)**	(422,290)	**(3,793,131)**
	(467,805)	(444,294)	**(3,982,343)**
Net property, plant and equipment	**314,938**	327,297	**2,681,012**
Investments and other assets:			
Investment securities (Note 4)	**10,246**	8,366	**87,229**
Investments in and advances to subsidiaries and affiliates	**11,173**	14,100	**95,116**
Deferred tax assets (Note 7)	**4,864**	6,840	**41,413**
Other assets	**849**	774	**7,228**
Allowance for doubtful accounts	**(133)**	(3,185)	**(1,135)**
Total investments and other assets	**27,000**	26,895	**229,851**
Current assets:			
Cash and cash equivalents	**3,223**	1,946	**27,441**
Trade accounts receivable, net of allowance for doubtful accounts of ¥156 ($1,330) in 2006 and ¥170 in 2005	**3,998**	4,532	**34,040**
Fuel and supplies	**5,577**	5,547	**47,476**
Deferred tax assets (Note 7)	**1,456**	1,350	**12,398**
Other current assets	**464**	291	**3,956**
Total current assets	**14,720**	13,669	**125,313**
Total	**¥356,659**	¥367,861	**$3,036,177**
Liabilities and shareholders' equity			
Long-term liabilities:			
Long-term debt, less current maturities (Note 5)	**¥188,471**	¥207,572	**$1,604,421**
Liabilities for employees' retirement benefits	**10,261**	14,384	**87,357**
Other long-term liabilities	**487**	586	**4,154**
Total long-term liabilities	**199,221**	222,542	**1,695,933**
Current liabilities:			
Current maturities of long-term debt (Note 5)	**33,100**	32,903	**281,781**
Commercial paper (Note 6)	**2,000**		**17,025**
Short-term bank loan (Note 6)	**5,000**	5,000	**42,564**
Trade accounts payable	**11,658**	6,682	**99,250**
Income taxes payable	**1,387**	3,468	**11,809**
Accrued expenses	**8,476**	9,312	**72,154**
Other current liabilities	**1,475**	2,704	**12,563**
Total current liabilities	**63,098**	60,071	**537,148**
Commitments and contingent liabilities (Notes 8 and 9)			
Shareholders' equity (Note 10):			
Common stock,			
Authorized — 30,000,000 shares			
Issued — 15,931,567 shares in 2006 and 15,172,921 shares in 2005	**7,586**	7,586	**64,582**
Capital surplus:			
Additional paid-in capital	**7,141**	7,141	**60,795**
Retained earnings:			
Legal reserve	**964**	964	**8,214**
Unappropriated	**76,063**	67,919	**647,516**
Unrealized gain on available-for-sale securities	**2,688**	1,655	**22,889**
Treasury stock, at cost 22,522 shares in 2006 and 6,677 shares in 2005	**(106)**	(20)	**(902)**
Total shareholders' equity	**94,339**	85,247	**803,095**
Total	**¥356,659**	¥367,861	**$3,036,177**

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Income

Years ended March 31, 2006 and 2005	Millions of Yen 2006	Millions of Yen 2005	Thousands of U.S. Dollars (Note 1) 2006
Operating revenues	**¥143,653**	¥137,210	**$1,222,897**
Operating expenses (Notes 8 and 11):			
Fuel	**32,578**	24,848	**277,335**
Purchased power	**13,422**	12,305	**114,266**
Depreciation	**25,062**	27,712	**213,354**
Repair and maintenance	**14,922**	13,470	**127,029**
Taxes other than income taxes	**6,553**	6,661	**55,791**
Other	**32,817**	35,266	**279,367**
Total operating expenses	**125,357**	120,264	**1,067,144**
Operating income	**18,296**	16,945	**155,752**
Other expenses:			
Interest expense (Notes 5 and 6)	**4,316**	5,451	**36,744**
Other — net	**(83)**	(93)	**(713)**
Net other expenses	**4,232**	5,357	**36,031**
Income before income taxes	**14,063**	11,587	**119,721**
Income taxes (Note 7):			
Current	**3,587**	4,840	**30,542**
Deferred	**1,312**	(844)	**11,176**
Total	**4,900**	3,996	**41,718**
Net income	**¥ 9,163**	¥ 7,591	**$ 78,003**
	Yen		U.S. Dollars
Per share of common stock (Note 2 (j)):			
Basic net income	**¥571.05**	¥471.21	**$4.86**
Cash dividends applicable to the year	**60.00**	60.00	**0.51**

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, 2005 and 2006	Issued number of shares of common stock	Common stock	Additional paid-in capital	Legal reserve	Unappropriated	Unrealized gain on available-for-sale securities	Treasury stock
Balance, April 1, 2004	15,172,921	¥7,586	¥7,141	¥964	¥61,321	¥ 589	¥ (12)
Appropriations:							
Cash dividends					(910)		
Bonuses to directors and corporate auditors					(82)		
Increase in treasury stock (1,936 shares)							(8)
Net increase in unrealized gain on available-for-sale securities						1,065	
Net income					7,591		
Balance, March 31, 2005	15,172,921	7,586	7,141	964	67,919	1,655	(20)
Common stock split (Note 10)	**758,646**						
Appropriations:							
Cash dividends					**(932)**		
Bonuses to directors and corporate auditors					**(86)**		
Increase in treasury stock (15,845 shares)							**(85)**
Net increase in unrealized gain on available-for-sale securities						**1,033**	
Net income					**9,163**		
Balance, March 31, 2006	**15,931,567**	**¥7,586**	**¥7,141**	**¥964**	**¥76,063**	**¥2,688**	**¥(106)**

	Thousands of U.S. Dollars (Note 1)					
		Capital surplus	Retained earnings			
	Common stock	Additional paid-in capital	Legal reserve	Unappropriated	Unrealized gain on available-for-sale securities	Treasury stock
Balance, March 31, 2005	$64,582	$60,795	$8,214	$578,190	$14,091	$(177)
Appropriations:						
Cash dividends				**(7,936)**		
Bonuses to directors and corporate auditors				**(740)**		
Increase in treasury stock (15,845 shares)						**(725)**
Net increase in unrealized gain on available-for-sale securities					**8,797**	
Net income				**78,003**		
Balance, March 31, 2006	**$64,582**	**$60,795**	**$8,214**	**$647,516**	**$22,889**	**$(902)**

See notes to non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements

Years ended March 31, 2006 and 2005

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 Electricity Utilities Industry 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 2005 non-consolidated financial statements to conform to the presentations and classifications used in 2006. 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 ¥117.47 to $1, the approximate rate of exchange at March 31, 2006. 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.

Amounts of less than one million yen have been rounded off except for per share data. Consequently, the totals shown in the accompanying non-consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts.

2. Summary of significant accounting policies

(a) Property, plant and equipment

Property, plant and equipment are stated at cost. 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.

Depreciation is principally computed using the declining-balance method based on the estimated useful lives of the assets. Depreciation of easements is computed using the straight-line method based on the estimated useful lives of the transmission lines.

Prior to April 1, 2005, the Company treated easements related to right-of-way below transmission lines as non-depreciable assets. Effective April 1, 2005, the Company began depreciation of such easements to determine transmission and distribution costs more adequately in accordance with the revision of the Japanese Electricity Utilities Industry Law requiring electric utility providers to account for revenues and expenses of transmission and distribution.

The effect of this change was minimal.

(b) Long-lived assets

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

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

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

(c) Investment securities

Investment securities are classified and accounted for, depending on management's intent, as follows:

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

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

(d) Cash and cash equivalents

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

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

(e) Fuel and supplies

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

(f) Derivative financial instruments

The Company uses derivative financial instruments to manage their exposures to fluctuations in interest rates.

Interest rate swaps are utilized by the Company to reduce interest rate risks. The Company does not enter into derivatives for trading or speculative purposes.

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

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

(g) Severance payments and pension plan

The liability for retirement benefits are accounted for based on projected benefit obligations and plan assets at the balance sheet date in order to provide employees' severance and retirement benefits.

Prior service costs are recognized in expenses within the statement of income for the year ended March 31, 2006.

Actuarial gains and losses are recognized in expenses using a declining-balance method over five years which is within the average of estimated remaining periods of the employees commencing with the following period.

After having obtained the labor union's mutual agreement in October 2005, the Company revised its rules related to retirement benefit and pension plan to new rules under the Defined Benefit Corporate Pension Law. Elements of the new rules applied from January 1, 2006 are as follows:

- The Company shifted from a qualified retirement pension plan to contract-type corporate pension plan, which is a defined benefit pension plan based on variable interest rate, enabling the Company to flexibly respond to market interest rate fluctuations.
- A part of the former lump-sum retirement benefit plan was shifted to a defined contribution pension plan and a contract-type corporate pension plan.
- Benefits under the plans are calculated according to accumulated "points" that are earned based on employee's position and length of service period during employment.

The effect of this change was to increase operating income by ¥1,006 million ($8,567 thousand), income before income taxes by ¥333 million ($2,837 thousand), respectively.

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

(h) Income taxes

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

(i) Stock and bond issuance costs and bond discount charges
Stock and bond issuance 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, retroactively adjusted for stock splits. On May 20, 2005, the Company made a 1.05-for-1 stock split for each outstanding share. The weighted-average number of common shares used in the computation was 15,913,646 and 15,925,398 shares for the years ended March 31, 2006 and 2005.

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

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

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

(m) New Accounting Pronouncements
Business Combination and Business Separation
In October 2003, the Business Accounting Council (BAC) issued a Statement of Opinion, "Accounting for Business Combinations," and on December 27, 2005 the Accounting Standards Board of Japan (ASBJ) issued "Accounting Standard for Business Separations" and ASBJ Guidance No.10, "Guidance for Accounting Standard for Business Combinations and Business Separations." These new accounting pronouncements are effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. These specific criteria are as follows:

(a) the consideration for the business combination consists solely of common shares with voting rights,
(b) the ratio of voting rights of each predecessor shareholder group after the business combination is nearly equal, and
(c) there are no other factors that would indicate any control exerted by any shareholder group other than voting rights.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures. Goodwill, including negative goodwill, is to be systematically amortized over 20 years or less, but is also subject to an impairment test.

Under the accounting standard for business separations, in a business separation where the interests of the investor no longer continue and the investment is settled, the difference between the fair value of the consideration received for the transferred business and the book value of net assets transferred to the separated business is recognized as a gain or loss on business separation in the statement of income. In a business separation where the interests of the investor continue and the investment is not settled, no such gain or loss on business separation is recognized.

Stock options
On December 27, 2005, the ASBJ issued "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of shareholders' equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

Bonuses to directors and corporate auditors
Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No.13, "Accounting treatment for bonuses to directors and corporate auditors," which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

Presentation of shareholders' equity
On December 9, 2005, the ASBJ published a new accounting standard for presentation of shareholders' equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of shareholders' equity. Such items include stock acquisition rights, minority interest and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006.

3. Property, plant and equipment
The major classes of property, plant and equipment as of March 31, 2006 and 2005, consisted of the following:

	Millions of Yen			
At March 31, 2006	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power generating facilities	**¥378,416**	**¥(17,073)**	**¥(241,097)**	**¥120,244**
Transmission facilities	**136,688**	**(2,402)**	**(70,250)**	**64,035**
Transformation facilities	**88,763**	**(511)**	**(54,102)**	**34,148**
Distribution facilities	**139,017**	**(2,215)**	**(66,178)**	**70,623**
General facilities	**28,434**	**(23)**	**(13,949)**	**14,461**
Utility plants and equipment	**771,319**	**(22,226)**	**(445,579)**	**303,513**
Construction in progress	**11,424**			**11,424**
Total	**¥782,744**	**¥(22,226)**	**¥(445,579)**	**¥314,938**

	Millions of Yen			
At March 31, 2005	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power generating facilities	¥377,181	¥(17,089)	¥(227,657)	¥132,434
Transmission facilities	134,892	(2,331)	(65,721)	66,839
Transformation facilities	87,867	(372)	(51,690)	35,804
Distribution facilities	136,098	(2,187)	(63,550)	70,361
General facilities	29,144	(23)	(13,670)	15,450
Utility plants and equipment	765,184	(22,003)	(422,290)	320,890
Construction in progress	6,406			6,406
Total	¥771,591	¥(22,003)	¥(422,290)	¥327,297

	Thousands of U.S. Dollars			
At March 31, 2006	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power generating facilities	**$3,221,384**	**$(145,343)**	**$(2,052,420)**	**$1,023,620**
Transmission facilities	**1,163,606**	**(20,452)**	**(598,032)**	**545,122**
Transformation facilities	**755,622**	**(4,355)**	**(460,567)**	**290,700**
Distribution facilities	**1,183,425**	**(18,861)**	**(563,362)**	**601,200**
General facilities	**242,059**	**(199)**	**(118,748)**	**123,111**
Utility plants and equipment	**6,566,099**	**(189,211)**	**(3,793,131)**	**2,583,755**
Construction in progress	**97,256**			**97,256**
Total	**$6,663,355**	**$(189,211)**	**$(3,793,131)**	**$2,681,012**

4. Investment securities
At March 31, 2006, the unrealized gain of market value over the carrying amount of quoted securities was ¥4,136 million ($35,214 thousand), at March 31, 2005, the unrealized gain of which was ¥2,546 million.

5. Long-term debt
Long-term debt at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Secured bond, 0.20% to 1.97% in 2006 and 2005, due serially through 2018	**¥ 58,000**	¥ 59,000	**$ 493,743**
Secured loans from Okinawa Development Finance Public Corporation, 0.55% to 6.20% in 2006 and 0.55% to 6.20% in 2005, due serially through 2019	**158,261**	175,222	**1,347,247**
Unsecured loans from banks, 0.15% to 2.10% in 2006 and 0.12% to 1.95% in 2005, due serially 2015	**5,311**	6,252	**45,212**
Total	**221,572**	240,475	**1,886,202**
Less current maturity	**(33,100)**	(32,903)	**(281,781)**
Long-term debt, less current maturity	**¥188,471**	¥207,572	**$1,604,421**

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, 2006 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2007	¥ 33,100	$ 281,781
2008	24,475	208,351
2009	25,193	214,463
2010	20,479	174,340
2011	31,080	264,578
2012 and thereafter	87,243	742,687
Total	¥221,572	$1,886,202

6. Short-term bank loans and commercial paper
The weighted average interest rates of short-term bank loans were 0.50% and 0.45% at March 31, 2006 and 2005 respectively. At March 31, 2006, the weighted average interest rate applicable to commercial paper was 0.07%.

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, 2006 and 2005, respectively.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2006 and 2005, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Deferred tax assets:			
Pension and severance costs	**¥3,591**	¥4,703	**$30,575**
Depreciation and amortization	**1,602**	1,663	**13,644**
Accrued defined contribution pension plan	**969**		**8,250**
Allowance for doubtful accounts	**68**	1,056	**586**
Other non-current assets	**654**	832	**5,570**
Other	**1,456**	1,350	**12,398**
Sub total	**8,343**	9,605	**71,026**
Less: valuation allowance	**(167)**	(97)	**(1,425)**
Total deferred tax assets	**8,176**	9,508	**69,600**
Deferred tax liabilities:			
Unrealized gain on land revaluation	**(406)**	(426)	**(3,463)**
Unrealized gain on available-for-sale securities	**(1,447)**	(891)	**(12,324)**
Total deferred tax liabilities	**(1,854)**	(1,317)	**(15,788)**
Net deferred tax assets	**¥6,321**	¥8,190	**$53,812**

The difference between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying non-consolidated statements of income for the year ended March 31, 2006 and 2005 is immaterial.

8. Lease
The Company leases certain automobiles and office equipment. Total lease payments under the above leases for the years ended March 31, 2006 and 2005 were ¥510 million ($4,346 thousand) and ¥518 million, respectively.

Pro forma information on leased property such as acquisition cost, accumulated depreciation, obligation under finance leases, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2006 and 2005 were as follows:

	Millions of Yen		
As of March 31, 2006	General facilities	Other	Total
Acquisition cost	**¥2,338**	**¥69**	**¥2,408**
Accumulated depreciation	**(1,891)**	**(36)**	**(1,927)**
Net leased property	**¥ 446**	**¥33**	**¥ 480**

	Millions of Yen		
As of March 31, 2005	General facilities	Other	Total
Acquisition cost	¥2,353	¥43	¥2,396
Accumulated depreciation	(1,483)	(18)	(1,501)
Net leased property	¥ 870	¥24	¥ 894

	Thousands of U.S. Dollars		
As of March 31, 2006	General facilities	Other	Total
Acquisition cost	**$19,907**	**$592**	**$20,499**
Accumulated depreciation	**(16,104)**	**(307)**	**(16,411)**
Net leased property	**$ 3,803**	**$284**	**$ 4,088**

Obligations under finance leases as of March 31, 2006 and 2005:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Due within one year	**¥380**	¥483	**$3,239**
Due after one year	**99**	411	**848**
Total	**¥480**	¥894	**$4,088**

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

Depreciation expense, which is not reflected in the accompanying non-consolidated statements of income, computed by the straight-line method over the remaining lease term was ¥510 million ($4,346 thousand) and ¥518 million for the years ended March 31, 2006 and 2005, respectively.

9. Contingent liabilities

At March 31, 2006, the Company was contingently liable as a guarantor for loans and accounts payable of subsidiaries in the amount of ¥4,702 million ($40,029 thousand), and ¥16 million ($141 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 ($51,076 thousand) as of March 31, 2006.

10. Shareholders' equity

Through May 1, 2006, Japanese companies are subject to the Commercial Code of Japan (the "Code").

The Code requires that all shares of common stock be issued 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 are required to be presented 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 by way of a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The Code also provides that an amount of 10% or more of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period (such as bonuses to directors) shall be appropriated as a legal reserve (a component of retained earnings) until the total of such reserve and additional paid-in capital equals 25% of common stock. The amount of total legal reserve and additional paid-in capital that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders after transferring such excess in accordance with the Code. 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 Code allows Japanese companies to purchase treasury stock and dispose of such treasury stock upon resolution of the Board of Directors. The aggregate purchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve that could be transferred to retained earnings or other capital surplus other than additional paid-in capital upon approval of such transfer at the annual general meeting of shareholders.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash outlays, the Code also imposes certain limitations on the amount of capital surplus and retained earnings available for dividends. The amount of capital surplus and retained earnings available for dividends under the Code was ¥75,957 million ($646,613 thousand) as of March 31, 2006, based on the amount recorded in the Company's general books of account.

Dividends are approved by the shareholders at a meeting held subsequent to the end of 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. On May 20, 2005, the Company made a 1.05–for-1 stock split for each outstanding share and 758,646 shares were consequently issued to shareholders recorded in the registration book of shareholders on March 31, 2005.

If the stock split had gone into effect during the year ended March 31, 2005, net income per share would have been ¥471.21 in 2005.

On May 1, 2006, a new corporate law (the "Corporate Law") became effective, which reformed and replaced the Code with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below;

(a)Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation. The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. Under the Code, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases / decreases and transfer of common stock, reserve and surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Code, the aggregate amount of additional paid-in capital and legal reserve that exceeds 25% of the common stock may be made available for dividends by resolution of the shareholders. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of shareholders' equity. The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of shareholders' equity or deducted directly from stock acquisition rights.

11. Research and development costs

Research and development costs charged to income were ¥547 million ($4,657 thousand) and ¥593 million for the years ended March 31, 2006 and 2005, respectively.

12. Subsequent event

The following appropriations of retained earnings at March 31, 2006 were approved at the Company's shareholders' meeting held on June 29, 2006:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30 (26¢) per share	¥477	$4,062
Bonuses to directors and corporate auditors	75	643

Deloitte.

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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, 2006 and 2005, 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, 2006 and 2005, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in Japan.

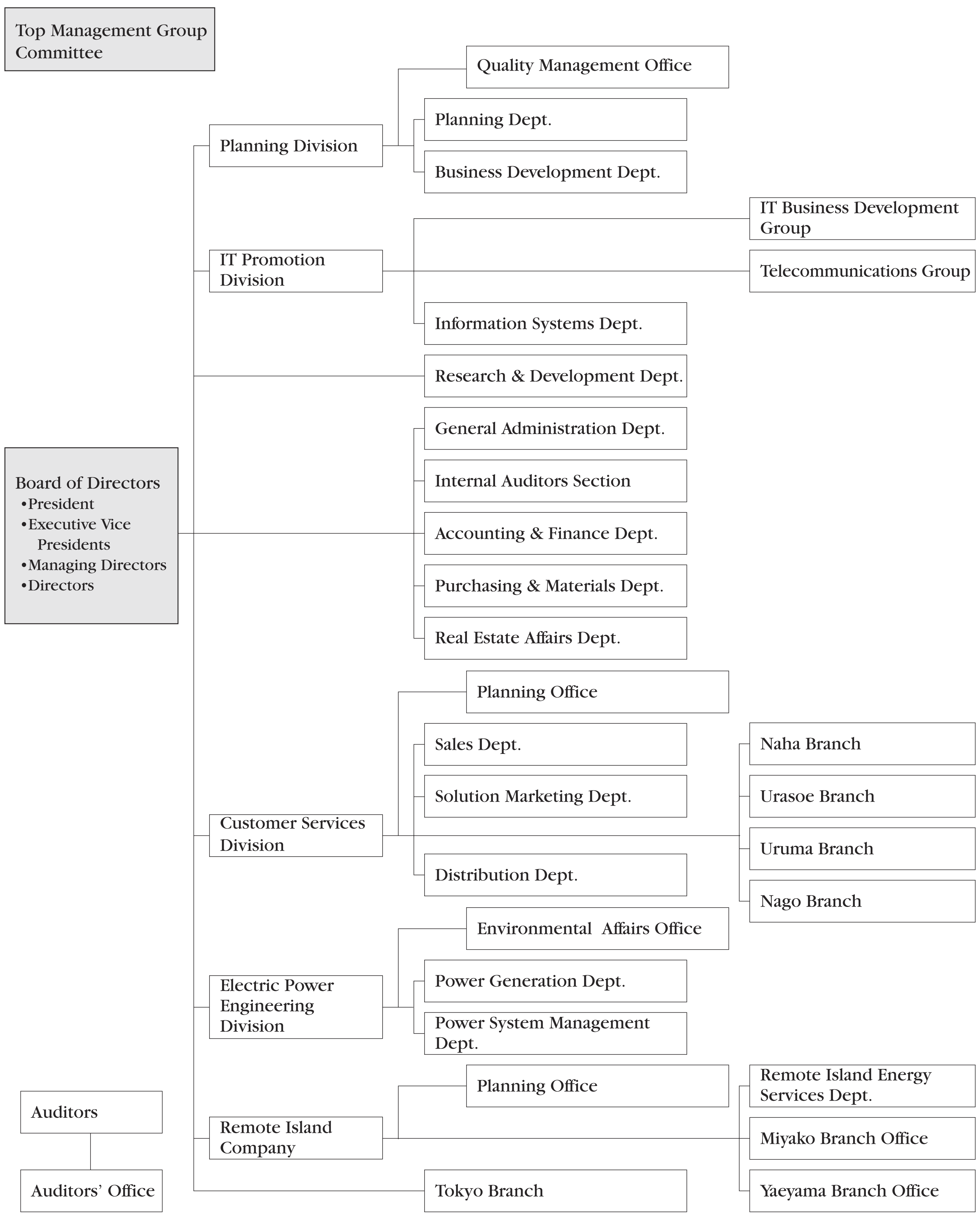
Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 29, 2006

Member of
Deloitte Touche Tohmatsu

Organization Chart



(As of July 1, 2006)

An Outline of the OEPC Group

Okiden Group Companies (As of March 31, 2006)

Company Name	Established/Capital	Business Areas
a. Construction		
Okidenko Company, Incorporated	June 12, 1968 ¥130 million	Construction and installation of power distribution and generation facilities; civil engineering work; and building construction
Okiden Sekkei Company, Incorporated	May 10, 1994 ¥40 million	Feasibility studies and design of electric power facilities, and supervision of construction; environmental surveys, soil quality examination and land surveys
Okinawa New Energy Development Company, Incorporated	October 14, 1996 ¥49 million	Feasibility studies, design, and management of construction of new energy power generation systems; management of operation and maintenance of such systems
Okisetsubi Company, Limited	September 18, 1995 ¥20 million	Installation of air conditioning, sanitation, and electric water-heating equipment; design and installation of ice-storage air-conditioning equipment
b. Electric power supply and peripheral businesses		
Okiden Kigyo Company, Incorporated	October 15, 1975 ¥43 million	Sale and maintenance of electrical equipment; lease of vehicles and property; maintenance of vehicles; agency business for non-life insurance companies
Okinawa Plant Kogyo Company, Incorporated	June 1, 1981 ¥32 million	Operation of electrical machinery and facilities, etc. on commission; installation of electrical machinery and equipment
Okinawa Denki Kogyo Company, Incorporated	December 23, 1971 ¥23 million	Repair of electrical measuring equipment and inspection agency work; sale of components for electrical facilities
c. Information and telecommunication business		
The Okiden Global Systems Company, Incorporated	April 12, 1991 ¥20 million	Computer systems design and software development; sale, leasing, etc. of computers and peripheral equipment
Okinawa Telecommunication Network Company, Incorporated	October 29, 1996 ¥700 million	Operation of Type I carrier business based on the Telecommunications Business Law; telecommunications equipment installation & maintenance
OTNet Service Company, Incorporated	May 21, 2001 ¥10 million	Type 2 carrier under the Telecommunications Business Law; supplier of high-speed digital communication service via dedicated optic-fiber network
First Riding Technology Company, Incorporated	July 11, 2001 ¥945 million	Internet solutions; call center business
Trusted Technologies Company, Incorporated	April 2, 2001 ¥25 million	Providing comprehensive data security solutions
d. Real estate business		
Okiden Kaihatsu Company, Incorporated	April 26, 1989 ¥50 million	Management, buying & selling, and leasing of real estate
e. Small-scale, on-site power generators		
Progressive Energy Corporation (PEC)	August 23, 2001 ¥100 million	Installation, operation, and maintenance of home-use power generation systems, and support services for energy saving
f. Nursing care services and retirement home management		
Kanucha Community Company, Incorporated	February 18, 2003 ¥372 million	Development and management of retirement communities
g. Other businesses (including funding of businesses unrelated to electric power)		
Quetech Company, Limited	March 30, 2001 ¥3 million	Management consultant services, ISO certification support training, application software development business
Ganju Company, Incorporated	March 25, 2003 ¥10 million	Hog raising, and wholesaling and retailing of pork
Grace Rum Company, Incorporated	March 1, 2004 ¥10 million	Production and sale of rum
Aqua Culture Okinawa Company, Incorporated	June 13, 2005 ¥15 million	Cultivation and sale of decorative corals and other marine organisms

Corporate Data

Head Office
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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
¥356,659 million

Number of Customers
796,749 (Includes users of both lighting and power)

Number of Employees
1,497

(As of March 31, 2006)

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	167,825
Total	22	1,925,825

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%
Okinawa New Energy Development Co., Inc.	¥49 million	Construction	42.1%
Okinawa Telecommunication Network Co., Inc.	¥700 million	Information and telecommunications	45.9%
Okisetsubi Company, Ltd.	¥20 million	Construction	48.0%
First Riding Technology Co., Inc.	¥945 million	Information and telecommunications	74.3%
Progressive Energy Corp.	¥100 million	Dispersed generating plant business	58.0%
Kanucha Community Co., Inc.	¥372 million	Nursing care related business	67.2%

Investor Information

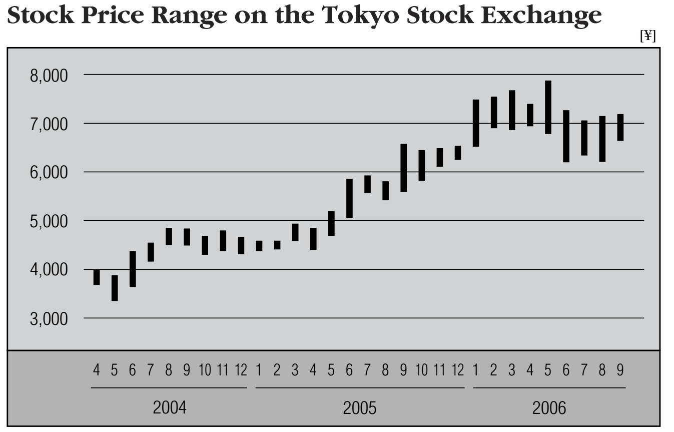
Transfer Agent and Registrar
The Mitsubishi Trust & Banking Corporation
11-1, Nagata-cho 2-chome, Chiyoda-ku,
Tokyo 100-8212, Japan

Securities Traded
Tokyo Stock Exchange,
Fukuoka Stock Exchange

Common Stock Issued
15,931,567 shares

Number of Shareholders
7,689

Stock Price Range on the Tokyo Stock Exchange



Credit Ratings

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

(As of August 31, 2006)

Board of Directors and Auditors


Tsugiyoshi Toma
President


Kazuhiro Nakada
Executive Vice President


Shin Kadena
Executive Vice President


Denichiro Ishimine
Executive Vice President


Akira Sakuma
Managing Director


Seiyu Ishikawa
Managing Director

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

Standing Auditors:
Hajime Ota
Hiroshi Teruya

External Auditors:
Honshin Aharen
Katsuko Asato

(As of September 1, 2006)