

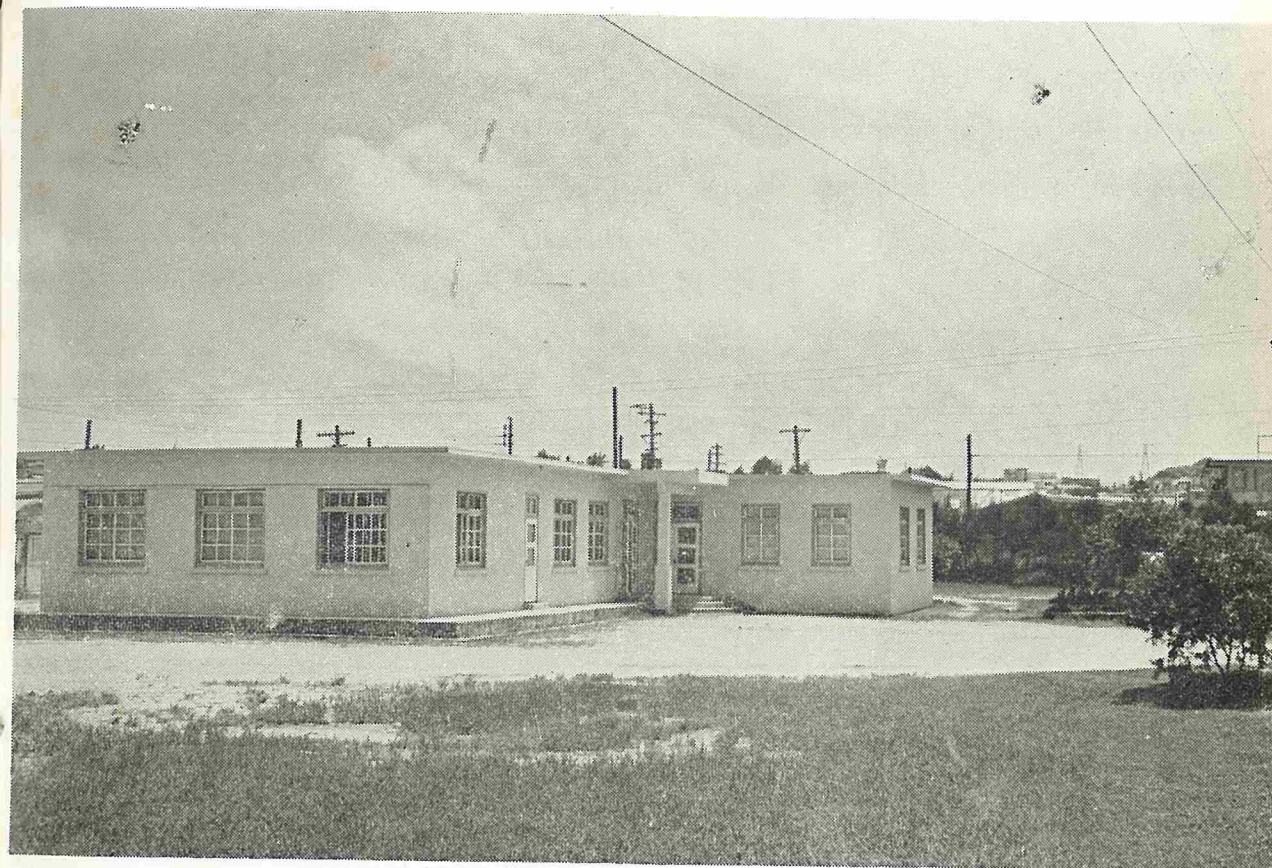
ANNUAL REPORT

FISCAL YEAR 1964

RYUKYU DOMESTIC WATER CORPORATION

ANNUAL REPORT

FISCAL YEAR 1964



RYUKYU DOMESTIC WATER CORPORATION

FOREWORD

The
This Annual Report is published to present the results of the Ryukyu Domestic Water Corporation's financial and related activities and operations for Fiscal Year 1964, the financial position of the Corporation as of 30 June 1964, and the plans of the Corporation for Fiscal Year 1965.

The growth of the Corporation is based upon a systematic Master Water Plan developed in coordination with the United States Civil Administration of the Ryukyu Islands and the United States Army, Ryukyu Islands. Fiscal Year 1964 was a stepping stone in the fulfillment of this plan which is to develop a modern water system for Okinawa.

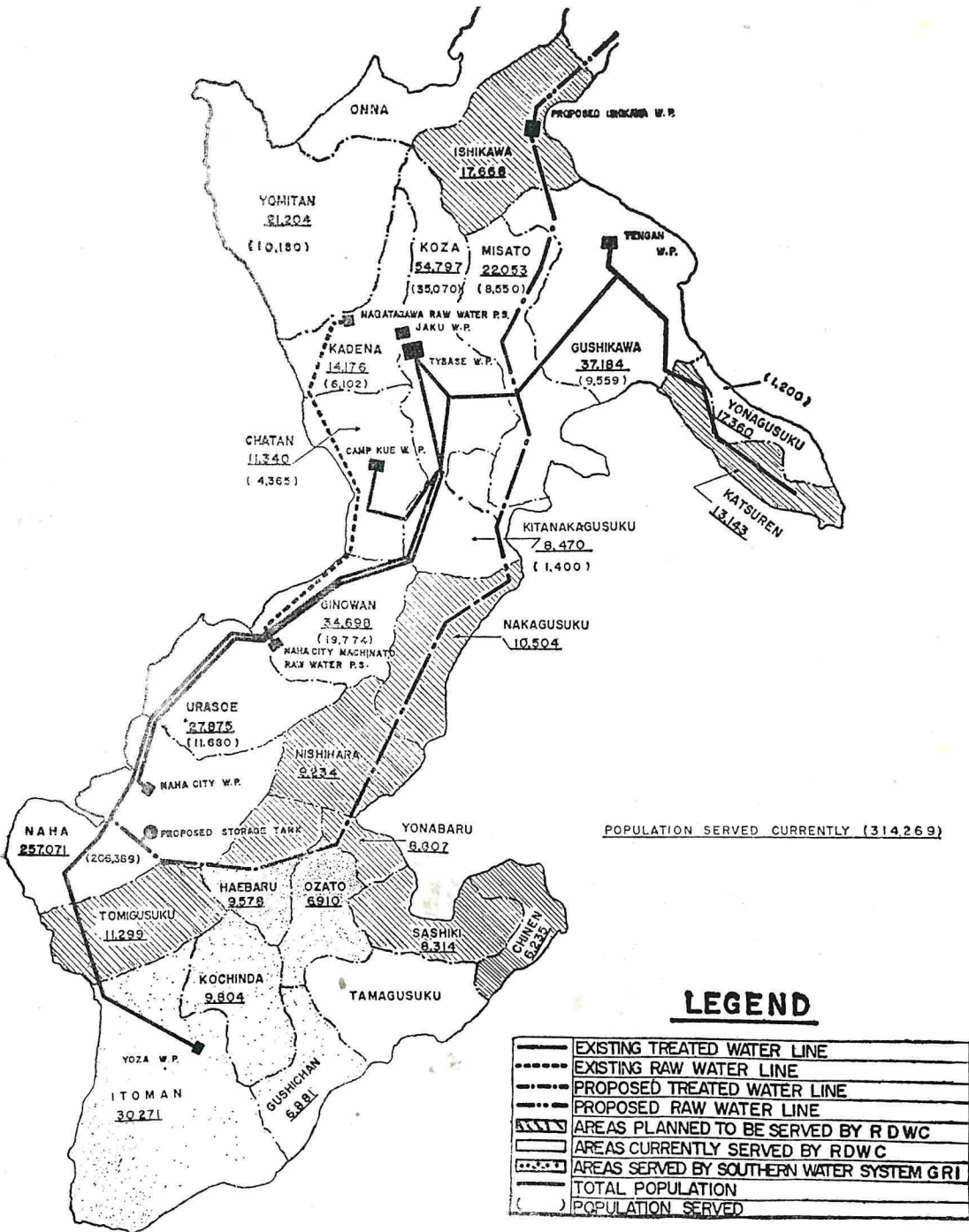
JINSUKE OKUDA
President
Ryukyu Domestic Water Corporation

Naha, Okinawa
30 June 1964

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Municipalities served by the Ryukyu Domestic Water Corporation

I. GENERAL INFORMATION

The Ryukyu Domestic Water Corporation (RDWC) was established by High Commissioner Ordinance No. 8, dated 4 September 1958, as an instrumentality of the United States Civil Administration of the Ryukyu Islands (USCAR). The RDWC was created for the purpose of providing water for the use and benefit of the Ryukyuan people and for the industrial development of the Ryukyu Islands. To accomplish its mission, the RDWC is entrusted with the responsibility for acquiring, maintaining and operating certain water facilities in the Island.

The management of the RDWC is vested in the Board of Directors, which is composed of five members appointed by the Civil Administrator, USCAR. This Board is empowered to exercise those powers prescribed by its Charter and other applicable laws and ordinances. Members of the Board are appointed from USCAR, United States Army, Ryukyu Islands (USARYIS), Government of the Ryukyu Islands (GRI), RDWC, and from the citizenry of the Ryukyu Islands.

The officers of the RDWC consist of a President, a Vice President, a Secretary, and a Treasurer. As of 1 December 1963, all of the officers were appointed from the Ryukyuan citizenry to serve with compensation on a full-time basis. Prior to that date, the President and Vice President were appointed from the staff of USCAR.

The Island Water System is operated by USARYIS. Under an operational agreement, the RDWC purchases water at cost from USARYIS for resale to local communities.

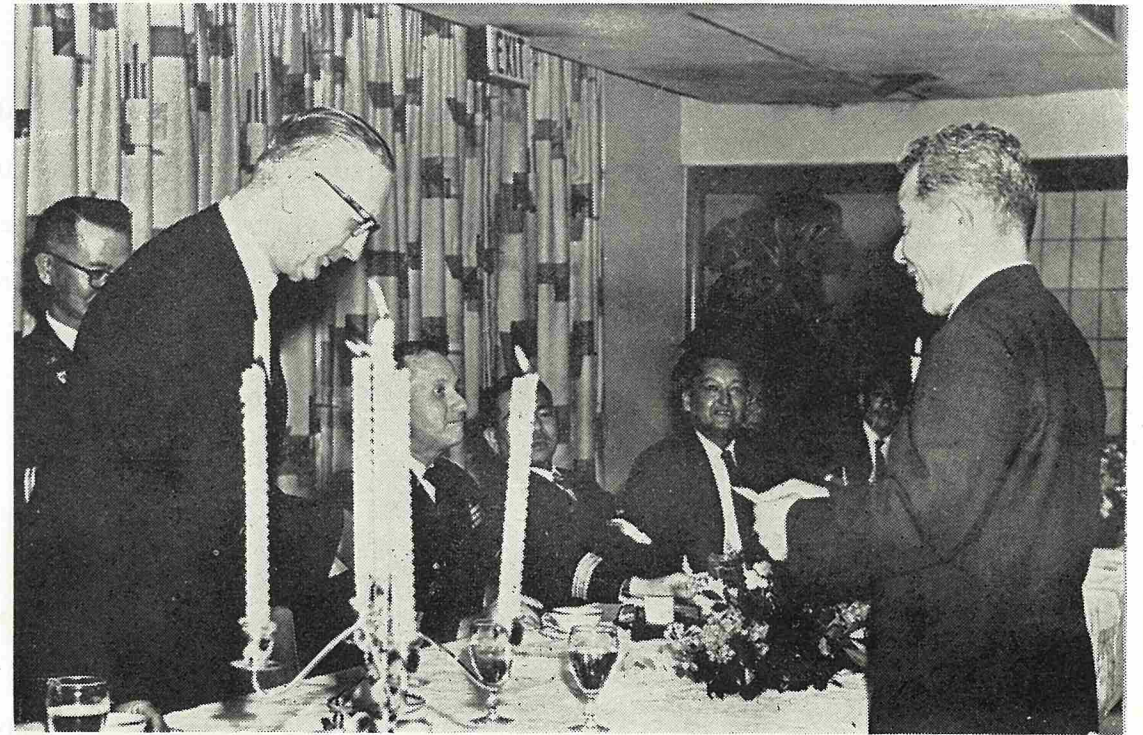
II. WATER SUPPLY IN THE RYUKYU ISLANDS

The main source of potable water for the people on Okinawa is the Integrated Island Water System. This system consists of facilities owned by USARYIS and the RDWC. The Integrated Island Water System is capable of producing approximately 24 million gallons of water per day under normal weather conditions and 21 million gallons per day during drought periods. Major raw water sources for the Island Water System are primarily surface streams, such as the Bishi and Tengan Rivers. Deep wells are capable of supplying 5 million gallons of water per day. All civilian communities along the west coast from Naha to Yomitan in central Okinawa and certain communities along the east coast from Kitanakagusuku to Yonagusuku in central Okinawa are provided potable water from the Island Water System. The treated water is conveyed from the facilities of the Island Water System through the water distribution systems of the municipalities to the consumers.

Naha City is the second major producer of potable water on Okinawa. Naha City's water treatment facility and distribution system, however, serve only the densely populated capital city of Okinawa. The facility of Naha City is capable of treating 6 million gallons of water per day. The Island Water System provides up to 2 million gallons of raw water per day to supplement the raw water resources of Naha City.

Independent water systems are also operated by the municipalities of Nago and Itoman on Okinawa, and by the municipalities of Hirara and Ishigaki on the islands of Miyako and Yaeyama, respectively. The Miyako water system is administered by the Miyako Island Water Administration (MIWA). MIWA was created in May 1964 to develop all potential water resources of Miyako Island.

In addition to these water systems, which serve the greater part of the population on Okinawa, remote areas and offshore islands have developed simple water systems which depend on shallow wells, small springs, or streams for their water supply.



A \$2 million check, made available from U.S. appropriated funds, was presented by Congressman Otto E. Passman (left) to Mr. Jinsuke Okuda (right), President of the Ryukyu Domestic Water Corporation, on 2 March 1964. The check was made available for use in water projects on Okinawa.

III. FISCAL YEAR 1964 IN REVIEW

A. Operations

During FY 1964, the Integrated Island Water System produced a total of 6.078 billion gallons of potable water at the cost of 11.05 cents per 1,000 gallons. Of the total production, 2.494 billion gallons (41 percent) were made available to the RDWC for resale to local communities. The treated water was sold at the following rates by the RDWC:

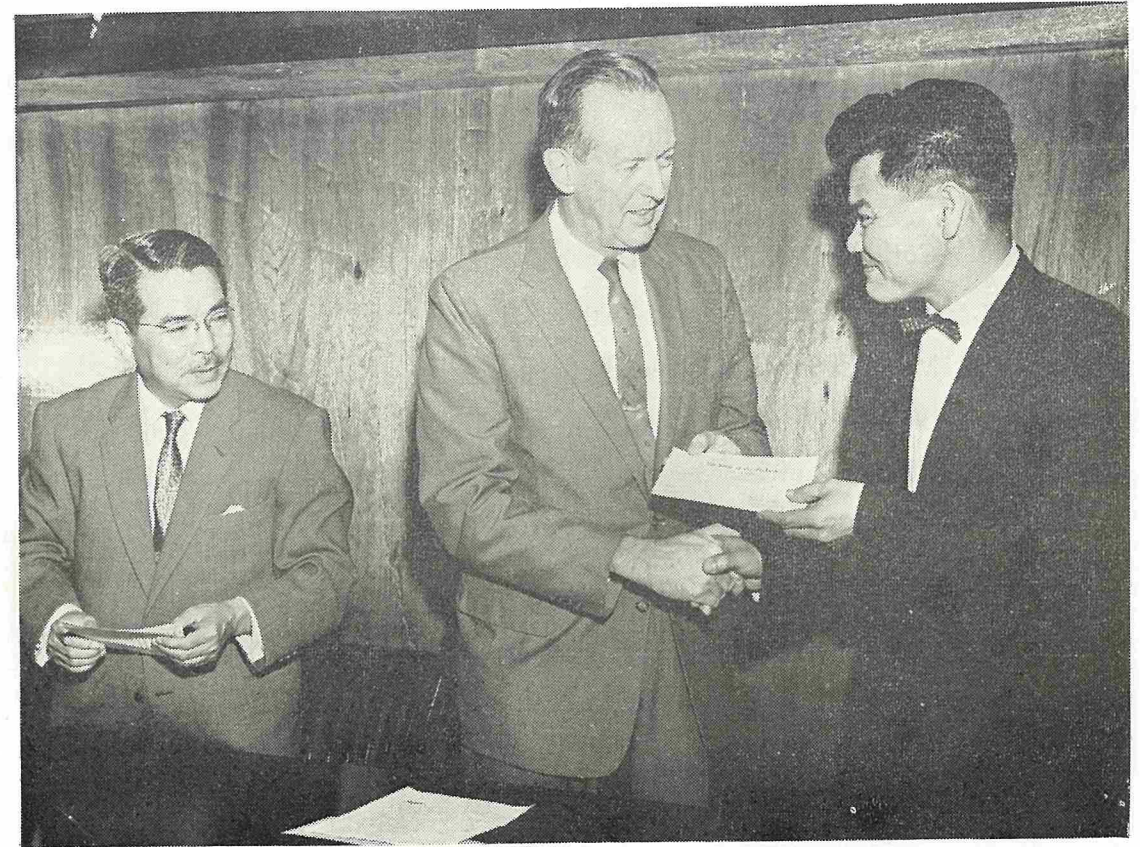
| | <u>Average Rate</u> |
|----------------|-------------------------------|
| Municipalities | 21.94 cents per 1,000 gallons |
| Others | 38.27 cents per 1,000 gallons |

Raw water made available from the Integrated Island Water System to RDWC for resale to Naha City totaled 722 million gallons in FY 1964.

The Corporation continued to encourage the local municipalities to develop their own water distribution systems for eventual integration into the Island Water System. In this connection, during FY 1964, it was possible for RDWC to transfer an additional 1,221 retail customers to municipalities which have joined the Island Water System.

B. Constructoin Projects

Implementation of the Master Water Plan moved into its second year as the RDWC received additional capital contributions of \$4.5 million in FY 1964. Two million dollars was made available from U.S. appropriated funds and \$2.5 million from the USCAR General Fund. These funds have been programmed for nine water projects as follows:



On 19 March 1964, the Civil Administrator of the Ryukyu Islands, Mr. Gerald Warner (center), presented a \$2.5 million check to Mr. Hirosada Ohama (right), Vice President of the Ryukyu Domestic Water Corporation. Observing the presentation is Mr. Seisaku Ota (left), Chief Executive of the Government of the Ryukyu Islands. The check of \$2.5 million was made available from the General Fund of the United States Civil Administration of the Ryukyu Islands for use in further development of water facilities on Okinawa.

1. U.S. appropriated funds

- a. Construction of east side water transmission system
Procurement of approximately 94,000 linear feet of pipe. \$1,100,000.
- b. Construction of reservoir on Tengan River, \$575,000.
- c. Construction of well field at Tengan, \$275,000.
- d. Modifications to Kawasaki Pumping Station, \$30,000.
- e. Design for modifications to Jaku Pumping Station, \$20,000.

2. USCAR General Fund

- a. Northern water development facilities (stage I) -construction "A"
Procurement of approximately 106,000 linear feet of pipe, \$2,200,000.
- b. Modifications to Zukeyama Dam, \$100,000.
- c. Construction of small reservoirs on Nagata River, \$100,000.
- d. Construction of booster pumping station and modifications to Nagata Pumping Station, \$100,000.

All of the above projects were either under design or construction at the end of FY 1964.

C. Financial Summary

As of 30 June 1964, total assets of RDWC were \$9,453,000, compared with \$4,544,902 at the end of FY 1963. Of these assets, cash in banks amounted to \$5,707,216 as against \$1,663,801 at the conclusion of FY 1963. Of the \$5,707,216 cash balance, \$4,943,522 consisted of capital contributions made to RDWC in FY 1963 and FY 1964 from U.S. appropriated funds and from the USCAR General Fund for financing the construction of needed water projects under the Master Water Plan. Fixed assets, including construction in progress, totaled \$3,524,364, an increase of \$745,387 from 30 June 1963.

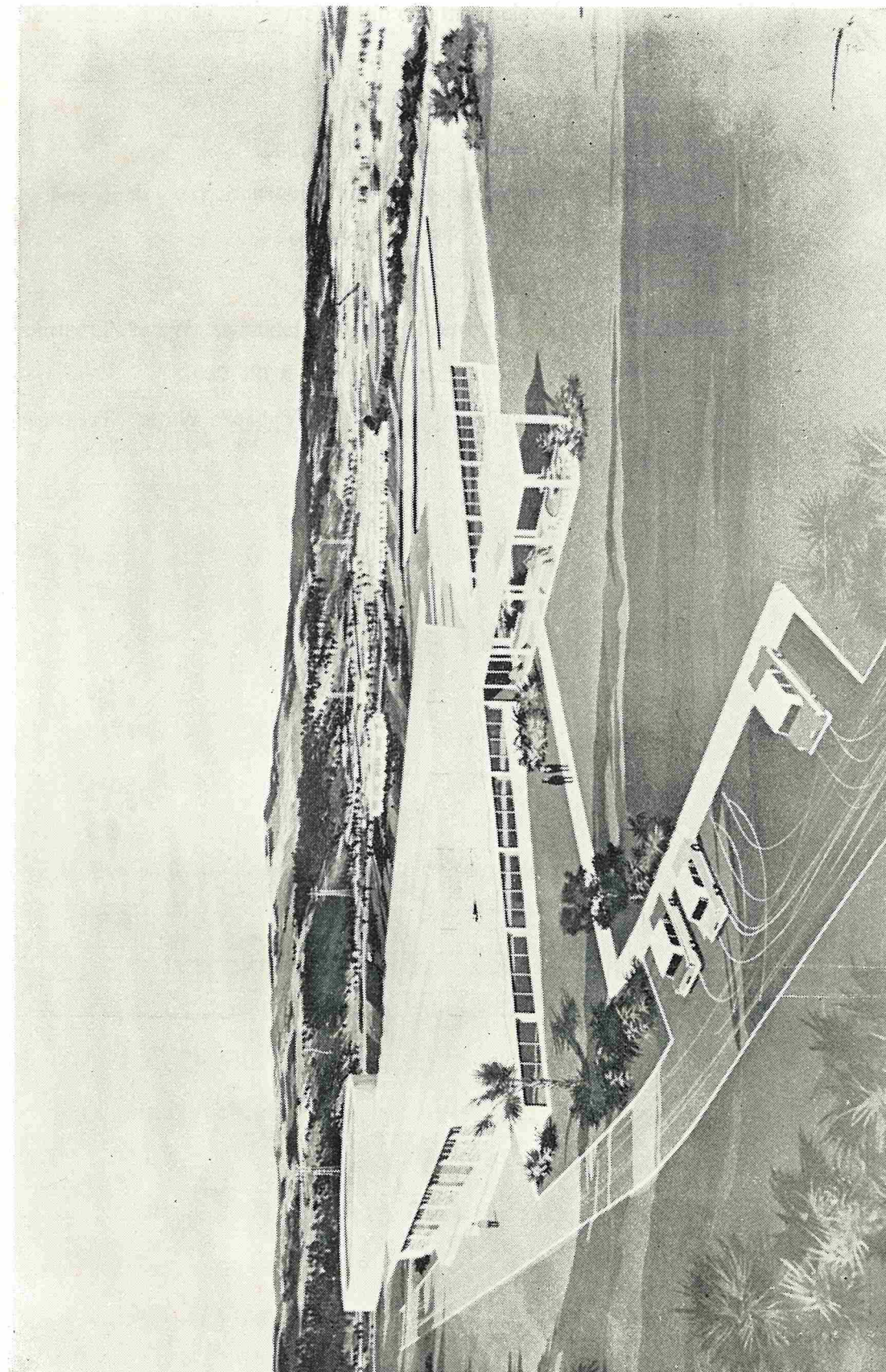
The net worth of RDWC increased from \$4,425,803 at the end of FY 1963 to \$9,379,213 as of 30 June 1964. The increase of \$4,953,410 in the net worth consisted of: \$4,500,000 of capital contributions from U.S. appropriated funds and from the USCAR General Fund for constructing water projects under the Master Water Plan; \$51,004 of assets donated to RDWC; and \$402,406 of net earnings realized from operations during FY 1964.

In FY 1964, the net earnings of the RDWC increased 59 percent over the net earnings in FY 1963. Gross profit and other income items increased from \$332,976 in FY 1963 to \$516,604 in FY 1964. Operating expenses increased \$34,992, from \$79,206 in FY 1963 to \$114,198 in FY 1964.

IV. PROPOSED CAPITAL OUTLAY PROGRAM FOR FISCAL YEAR 1965

As the demand for potable water by the local people rapidly increases each year, the need becomes imperative to continually explore and develop existing water sources and systems and to launch the expansion of a water supply system in northern Okinawa. Accordingly, the following projects have been proposed for implementation in FY 1965 under the Master Water Plan for the Island Water System:

1. U.S. appropriated funds
 - a. Northern water development facilities (stage I) -construction "A"
 - Construction of Ishikawa Water Treatment Plant, \$3,200,000.
 - b. Construction of east side water transmission system
 - Installation of pipeline (approximately 94,000 linear feet), \$800,000.
2. USCAR General Fund
 - a. Northern water development facilities (stage I) -construction "A"
 - (1) Construction of reservoir and dam, \$1,300,000.
 - (2) Installation of pipeline (approximately 106,000 linear feet), \$930,000.
 - (3) Construction of pumping station, \$250,000.
 - b. Construction of east side water transmission system
 - Construction of water storage facility (10 million gallons) at Naha, \$450,000.
 - c. Construction of water storage facility (10 million gallons) at Kitanakagusuku, \$450,000.
 - d. Construction of pumping station (near Jaku), \$250,000.
 - e. Definitive studies and explorations for development and utilization of water sources in northern Okinawa, \$150,000.



Architect's concept of the proposed water treatment plant at Ishikawa.

f. Northern water development facilities (stage I) -second and final phase.

Exploration and design, \$100,000.

g. Design for central feeder system, \$20,000.

h. Definitive study and exploration for construction of dam and reservoir on Machinato river, \$15,000.

3. Retained earnings of RDWC

a. Purchase of land for proposed sites of Ishikawa Water Treatment Plant and Naha water storage tank, \$321,000.

b. Modifications to flocculation basins at Tybase Water Treatment Plant, \$20,000.

V. THE CERTIFIED PUBLIC ACCOUNTANTS' AUDIT REPORT

PRICE WATERHOUSE & CO.

CABLES: PRICEWATER
P. O. BOX 355 CENTRAL,
NAHA, OKINAWA.

August 28, 1964

To the Board of Directors of
Ryukyu Domestic Water Corporation

In our opinion, the accompanying balance sheet and the related statement of income and retained earnings present fairly the financial position of Ryukyu Domestic Water Corporation at June 30, 1964 and the results of its operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceeding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Financial statements of the previous year were examined by other independent accountants.

Price Waterhouse & Co

RYUKYU DOMESTIC WATER CORPORATION

BALANCE SHEET

ASSETS

| | June 30 | |
|--|--------------------|--------------------|
| | 1964 | 1963 |
| Current assets: | | |
| Cash (Note 3) - | | |
| General fund | \$ 763,694 | \$ 637,784 |
| Construction fund | 4,943,522 | 1,026,017 |
| Accounts receivable - | | |
| Trade | 90,140 | 59,399 |
| Other | 22,749 | - |
| Accrued interest | 107,049 | 41,433 |
| Prepaid expenses | 1,482 | 1,292 |
| Total current assets | <u>5,928,636</u> | <u>1,765,925</u> |
| Fixed assets: | | |
| Land | 9,408 | - |
| Depreciable fixed assets at cost, less reserve for depreciation, 1964 - \$145,432, 1963 - \$73,912 | 2,723,478 | 2,382,289 |
| Construction in progress | 791,478 | 396,688 |
| Total fixed assets | <u>3,524,364</u> | <u>2,778,977</u> |
| | <u>\$9,453,000</u> | <u>\$4,544,902</u> |

LIABILITIES AND NET WORTH

| | | |
|----------------------------------|--------------------|--------------------|
| Current liabilities: | | |
| Accounts payable - | | |
| Trade | \$ 28,800 | \$ 64,160 |
| Other | 23,350 | 26,278 |
| Customers' deposits | 20,285 | 27,635 |
| Accumulated annual leave payable | 1,352 | 1,026 |
| Total current liabilities | <u>73,787</u> | <u>119,099</u> |
| Net worth: | | |
| Capital (Note 2) | 8,282,439 | 3,731,435 |
| Retained earnings | 1,096,774 | 694,368 |
| | <u>9,379,213</u> | <u>4,425,803</u> |
| | <u>\$9,453,000</u> | <u>\$4,544,902</u> |

RYUKYU DOMESTIC WATER CORPORATION

STATEMENT OF INCOME AND RETAINED EARNINGS

| | Year ended June 30 | |
|--|--------------------|------------------|
| | 1964 | 1963 |
| Sales (Note 4) | \$ 656,129 | \$675,937 |
| Cost of sales | 300,387 | 397,384 |
| Gross earnings on sales | <u>355,742</u> | <u>278,553</u> |
| Operating expenses: | | |
| Depreciation | 76,149 | 48,662 |
| Salaries and wages | 25,426 | 19,412 |
| Field maintenance expenses | 3,642 | 1,685 |
| Repairs and maintenance - Office equipment and vehicles | 1,543 | 1,474 |
| Telephone, telegraph and postage | 1,264 | 1,451 |
| General and office supplies | 1,260 | 1,340 |
| Land rent | 1,100 | 562 |
| Rent - Office | 915 | 1,800 |
| Audit fee | 800 | 700 |
| Utilities | 577 | 441 |
| Insurance | 575 | 558 |
| Publications and printing service | 515 | 740 |
| Provision for annual leave | 326 | 309 |
| Miscellaneous | 106 | 72 |
| | <u>114,198</u> | <u>79,206</u> |
| Net operating income | <u>241,544</u> | <u>199,347</u> |
| Other income and (expenses): | | |
| Service charges | 383 | 2,165 |
| Interest on time deposits | 154,653 | 49,474 |
| Interest on delinquent accounts | 3,046 | 2,954 |
| Miscellaneous | 240 | - |
| Profit (loss) on sale of assets | 2,540 | (170) |
| | <u>160,862</u> | <u>54,423</u> |
| Net income | 402,406 | 253,770 |
| Retained earnings: | | |
| Beginning of year | 694,368 | 440,598 |
| End of year | <u>\$1,096,774</u> | <u>\$694,368</u> |

RYUKYU DOMESTIC WATER CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1964

1. Ryukyu Domestic Water Corporation, a non-regulated utility, is wholly owned by the United States Civil Administration of the Ryukyu Islands and is exempt from all income taxes.

2. Additional capital investment of \$4,551,004 during the year was provided by the following sources:

| | |
|---|--------------------|
| Cash contributions for Master Water Plan Projects - | |
| From High Commissioner's General Fund | \$2,500,000 |
| From U.S. Appropriated Funds | 2,000,000 |
| Transfer of land and depreciable fixed assets - | |
| From the Okinawa Housing Corporation | 36,218 |
| From composite Service Group | <u>14,786</u> |
| | <u>\$4,551,004</u> |

3. General and construction fund cash accounts at June 30, 1964 consist of time deposit certificates totaling \$5,706,790 with interest rates ranging from 3% to 6.5% and non-interest bearing demand funds totaling \$426.

4. Sales consist of the following:

| | <u>1964</u> | <u>1963</u> |
|------------------------|------------------|------------------|
| Treated water - | | |
| Municipalities | \$438,961 | \$376,208 |
| Others | 158,714 | 236,741 |
| Raw water - | | |
| Municipalities | 57,796 | 54,442 |
| Repair and connections | <u>658</u> | <u>8,546</u> |
| | <u>\$656,129</u> | <u>\$675,937</u> |

APPENDICES

1. Board of Directors and Advisors of the Ryukyu Domestic Water Corporation
2. Organization Chart of the Ryukyu Domestic Water Corporation
3. Charter of the Ryukyu Domestic Water Corporation
4. Growth of Net Worth of the Ryukyu Domestic Water Corporation
5. Annual Sales of Water by the Ryukyu Domestic Water Corporation
6. Breakdown of Water Sales by the Ryukyu Domestic Water Corporation

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BOARD OF DIRECTORS AND ADVISORS
OF
THE RYUKYU DOMESTIC WATER CORPORATION

30 June 1964

Board of Directors

Name of Directors and Status

| | |
|--|---|
| Lt. Col. Peter J. Accorti Chairman of the Board | Director, Public Works Department, USCAR |
| Mr. Seiko Kohagura Member of the Board | Deputy Chief Executive, GRI |
| Mr. Omer E. Roller Member of the Board | Water Director, USARYIS Engineer Group |
| Mr. Nobuo Takaramura Member of the Board | President, Ryukyu Development Loan Corporation |
| Mr. Jinsuke Okuda Member of the Board | President, Ryukyu Domestic Water Corporation |

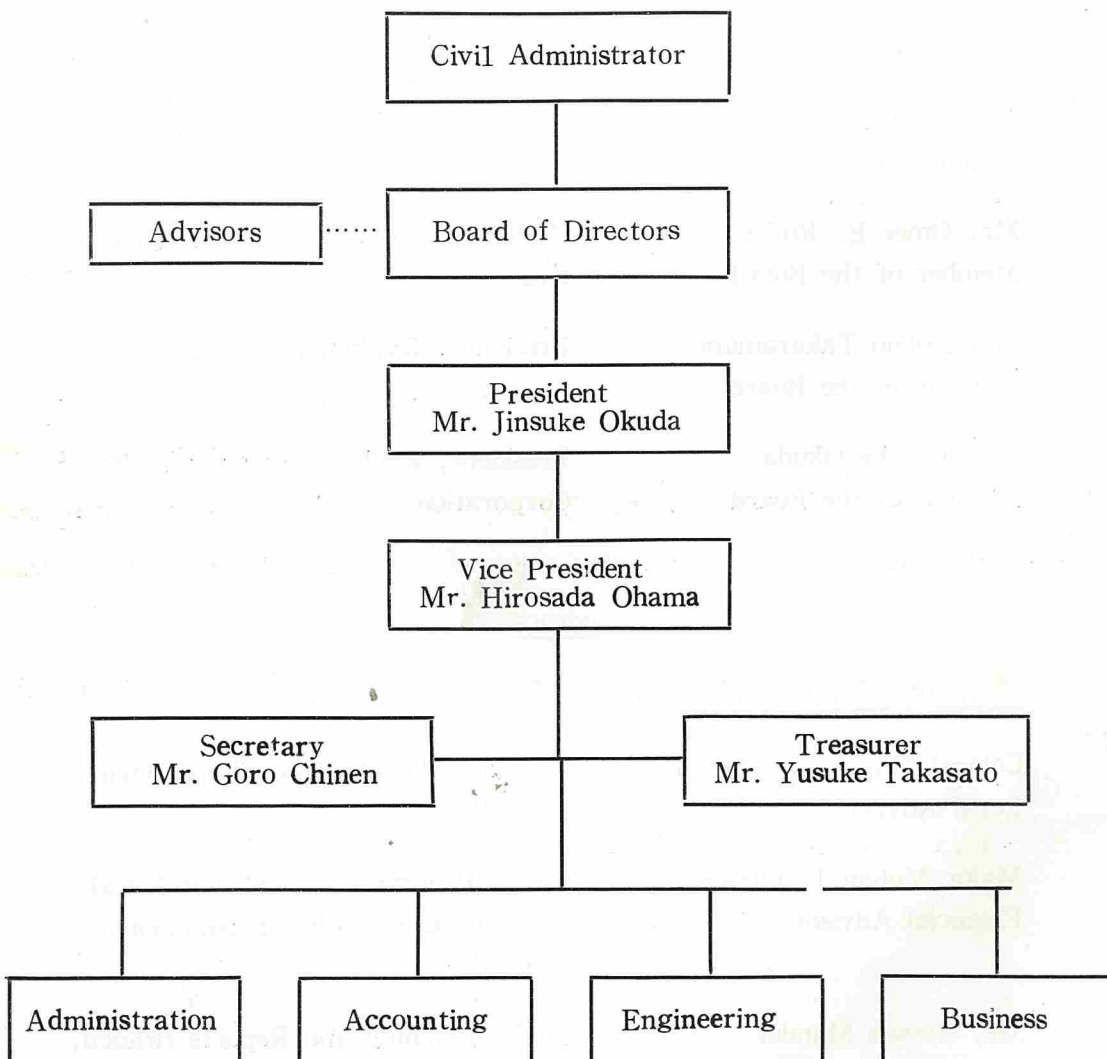
Advisors

Name of Advisors and Status

| | |
|---|--|
| Colonel Marvin G. Krieger Legal Advisor | Director, Legal Affairs Department, USCAR |
| Major Melvin J. Larsen Financial Advisor | Chief, Program, Budget and Fiscal Division, Comptroller Department, USCAR |
| Mr. Gerson Mandel Technical Advisor | Chief, Planning and Reports Branch, Engineering Division, U.S. Army Engineer District, Okinawa |

APPENDIX NO. 2
ORGANIZATION CHART
OF
THE RYUKYU DOMESTIC WATER CORPORATION

30 June 1964



UNITED STATES CIVIL ADMINISTRATION OF THE RYUKYU ISLANDS

Office of the High Commissioner

APO 331

HICOM ORDINANCE
 NUMBER 8
 CHANGE NUMBER 1
 CHANGE NUMBER 2

4 September 1958
 30 June 1960
 29 November 1963

ESTABLISHMENT
OF THE
RYUKYU DOMESTIC WATER CORPORATION

1. There is hereby created and established a public corporate entity under the name of Ryukyu Domestic Water Corporation having the powers, duties and responsibilities set forth in the attached Charter which constitutes a part of this Ordinance.

2. This Ordinance shall become effective on the fourth day of September 1958.

FOR THE HIGH COMMISSIONER:

1 Incl:
 Charter

/s/ Vonna F. Burger
 /t/ VONNA F. BURGER
 Brigadier General, USA
 Civil Administrator

CHARTER
OF THE
RYUKYU DOMESTIC WATER CORPORATION

4 September 1958, as Amended

ARTICLE I

PURPOSE OF RYUKYU DOMESTIC WATER CORPORATION

For the purpose of acquiring, maintaining, and operating domestic water producing properties and facilities in the Ryukyus for collection, treatment, transmission, distribution and sale of water for the use and benefit of, the Ryukyuan people, for industrial development, and for other purposes there is created, as an instrumentality of the United States Civil Administration of the Ryukyu Islands (hereinafter referred to as USCAR), a body corporate by the name of "Ryukyu Domestic Water Corporation" (hereinafter referred to as the "Corporation").

ARTICLE II

PRINCIPAL OFFICE

The address and principal office of the Corporation shall be Naha, Okinawa, Ryukyu Islands.

ARTICLE III

DIRECTORS

1. The Board of Directors of the Corporation (hereinafter referred to as the "Board") shall be composed of five members to be appointed by the Civil Administrator of the Ryukyu Islands or his lawful successor. The Civil Administrator shall designate one of the directors to serve as Chairman of the Board. One or more additional individuals may be appointed to serve as alternate members at the call of the Chairman during the absence or unavailability of a regular member. The Civil Administrator shall designate the President and Vice President of the Corporation. The Office of the President shall be a full-time position at a rate of compensation determined by the Civil Administrator.

2. The members of the Board shall serve at the pleasure of the appointing authority, but, unless sooner removed from office, shall serve for terms specified by the appointing authority at the time of appointment. A successor of a member of the Board shall be appointed in the same manner as the original member.

3. Vacancies in the Board, so long as there shall be four regularly appointed members in office, shall not impair the powers of the Board to execute the functions of the Corporation. A quorum shall consist of four members made up of regular members or a combination of regular and alternate appointed members of the Board for the transaction of the business of the Board. The concurrence of three members at the meeting of the Board shall be necessary for a resolution of the Board.

4. The Board shall have the general management and control of the business affairs and property of the Corporation and is empowered to exercise all the powers that may be exercised or performed by the Corporation under this Charter and applicable laws and ordinances.

5. Regular meetings of the Board shall be held once each month at such time and place as the Board shall, by resolution, designate. Special meetings may be called by the Chairman or by any two Directors by giving three days' notice to each Director.

6. Each Director shall be paid by the Corporation such salary or compensation for his service as a Director of the Corporation as shall be specified by the appointing authority, but in no event shall employees of the United States Government or Government of the Ryukyu Islands receive any salary or compensation for their services as Directors of the Corporation. Members of the Board shall, with the approval of the Board, be reimbursed by the Corporation for actual expenses incurred by them in the performance of the duties vested in the Board by this Charter.

7. Except as otherwise provided by this Charter, and subject to the approval or direction of the authority appointing the members of the Board, the Board shall select and appoint such additional officers and such employees and agents as are necessary for the transaction of the business of the Corporation, and shall fix their compensation, define their duties, and require sufficient bonds of such of them as the Board may designate. Any officer, employee or agent may be removed at the direction, and in the discretion, of the Civil Administrator of the Ryukyu Islands or his lawful successor.

8. The Board shall file with the appointing authority operating and financial statements at such time and in such form as the appointing authority shall direct.

9. Each member of the Board, before entering upon the duties of his office, shall subscribe to an oath faithfully and impartially to perform the duties imposed upon him by this Charter.

ARTICLE IV
OFFICERS

1. The officers of this Corporation shall consist of the President and such other officers as shall be appointed by the Board.
2. The President shall execute and direct the affairs of the Corporation in accordance with the resolutions of the Board of Directors, and shall be the officer who shall execute and deliver, in the name of and on behalf of the Corporation, contracts, conveyances, leases, and other instruments affecting the corporate properties. The President may delegate to the manager of the Corporation the power to execute contracts and such other instruments as are necessary in the routine business activities of the Corporation.
3. The duties and powers of officers other than the President shall be defined in the resolution providing for such office and appointment thereto.

ARTICLE V
CORPORATE POWERS

1. Except as otherwise specifically provided in this Charter, the Corporation:
 - a. Shall have succession in its corporate name.
 - b. May sue and be sued in its corporate name.
 - c. Shall adopt and use the Corporate Seal.
 - d. May make contracts, as herein authorized.
 - e. May purchase or lease and hold such real and personal property as may be necessary or convenient in the transaction of its business.
 - f. Shall have power to exercise the right of eminent domain, and in the purchase or condemnation of any real estate, or rights therein, the title thereto shall be taken in the name of the Corporation and for the accomplishment of the purposes of this Charter.
 - g. Shall have power to acquire any property, real or personal, or rights therein or thereto, for the collection, treatment, transmission, distribution and sale of water, and shall have power to acquire or to construct dams, pumping stations, treatment plants, transmission lines, and incidental works, including storage facilities, in the Ryukyu Islands, and to unite the various water supply installations into one or more systems by interconnecting pipe lines.
 - h. Shall have power:
 - (1) To convey by deed, lease, or otherwise, all or any portion

of the corporate property; Provided, that no transfer authorized herein shall be made without the prior approval of the Civil Administrator of the Ryukyu Islands, or his lawful successor, if the property to be conveyed exceeds \$500 in value; And Provided further, that no transfer of the entire corporate properties shall be made for the conduct of any business other than the collection, treatment, transmission, and sale of water or for any purpose in conflict with the purposes for which the Corporation is created.

(2) To lease, consistent with the provisions of subsection (1), all or any portion of the corporate property to other government agencies of the United States of America.

(3) To make loans to and to purchase the obligations of private companies engaged in the distribution and public sale of water in the Ryukyu Islands.

i. Shall have power to produce, to purchase, and to distribute and sell, water to public and private consumers at rates approved by the Civil Administrator of the Ryukyu Islands, or his lawful successor.

j. Shall have power to perform any other lawful acts necessary for the accomplishment of the corporate purposes.

ARTICLE VI

SEAL

The Corporate Seal of this Corporation shall be a circular seal bearing the name of the Corporation and the year of incorporation.

ARTICLE VII

EXEMPTION FROM TAXATION

The Corporation, its property, revenues, activities, and operations shall be exempt from all taxation.

ARTICLE VIII

FINANCING

1. There is hereby established a Ryukyu Domestic Water Fund (referred to hereinafter as the "Fund"). Receipts from any operations under this act shall be credited to the Fund. The Fund shall be available for payment of all expenditures of the Corporation under this act.

2. The Board of Directors is authorized to invest, pursuant to approved budget programs, such portion of the Fund as is not required to meet current needs in interest-bearing obligations of the Government of the Ryukyu Islands or of any of its agencies and instrumentalities. Such obligations shall be guaranteed as to principal and interest by the Government of the Ryukyu Islands and shall bear interest at a rate determined by agreement between the Corporation and the Government of the Ryukyu Islands. The interest on, and the proceeds from the sale or redemption of, any obligation held in the Fund shall be credited to and form a part of the Fund.

3. The banking or checking accounts of the Corporation shall be maintained with those banks designated by the Board, and all such accounts shall be credited to and form a part of the Fund.

4. Whenever any capital in the Fund is determined by the Board of Directors to be in excess of the needs of the Corporation, taking into consideration funds required for operations, plant replacement and expansion, and emergencies, such surplus shall be paid into the General Fund of USCAR as miscellaneous receipts.

5. The Corporation may borrow, for any of the purposes of the Corporation, sums of money not to exceed a total of \$1,000,000 outstanding at any one time. For this purpose the Corporation is authorized to issue its notes, debentures, bonds or other obligations to be redeemable at the option of the Corporation before maturity in such manner as may be stipulated in such obligations. Any borrowings by the Corporation shall be subject to approval of the Civil Administrator.

ARTICLE IX

BUDGET AND AUDIT

1. The Corporation shall cause to be prepared annually a business-type budget which shall be submitted to the Civil Administrator for review and approval, under such rules and regulations as the Civil Administrator may establish as to the date of submission, the form and content, the classification of data, and the manner in which such budget program shall be prepared and presented. The budget program shall be a plan of operations, with due allowance given to the need for flexibility, including provision for emergencies and contingencies, in order that the Corporation may properly carry out its activities as authorized by law.

2. The financial transactions of the Corporation shall be audited annually in accordance with principles and procedures applicable to commercial corporate

transactions and under such rules, regulations or circumstances as may be prescribed by the Civil Administrator.

ARTICLE X

DISSOLUTION

1. Upon dissolution of the Corporation or upon notification by the Civil Administrator of the Ryukyu Islands or his lawful successor that he intends to dissolve the Corporation, the Board shall proceed to liquidate the assets and wind up the affairs of the Corporation. If, after one year from the date of such dissolution or notification the Board has not completed the liquidation of the assets of the Corporation and the winding up of its affairs, the duty of completing these functions shall be transferred to the USCAR which for such purposes shall succeed to all the powers and duties of the Board to carry out the liquidation and the winding up of the affairs of the Corporation.

2. Any balance remaining after the liquidation of all the Corporation's assets, and after provision has been made for payment of all legal obligations, shall be paid into the General Fund of the USCAR.

ARTICLE XI

AMENDMENTS

This Charter may be amended only by the Civil Administrator of the Ryukyu Islands or his lawful successor.

APPENDIX NO. 4

GROWTH OF NET WORTH
OF
THE RYUKYU DOMESTIC WATER CORPORATION

Fiscal Year 1959 through Fiscal Year 1964

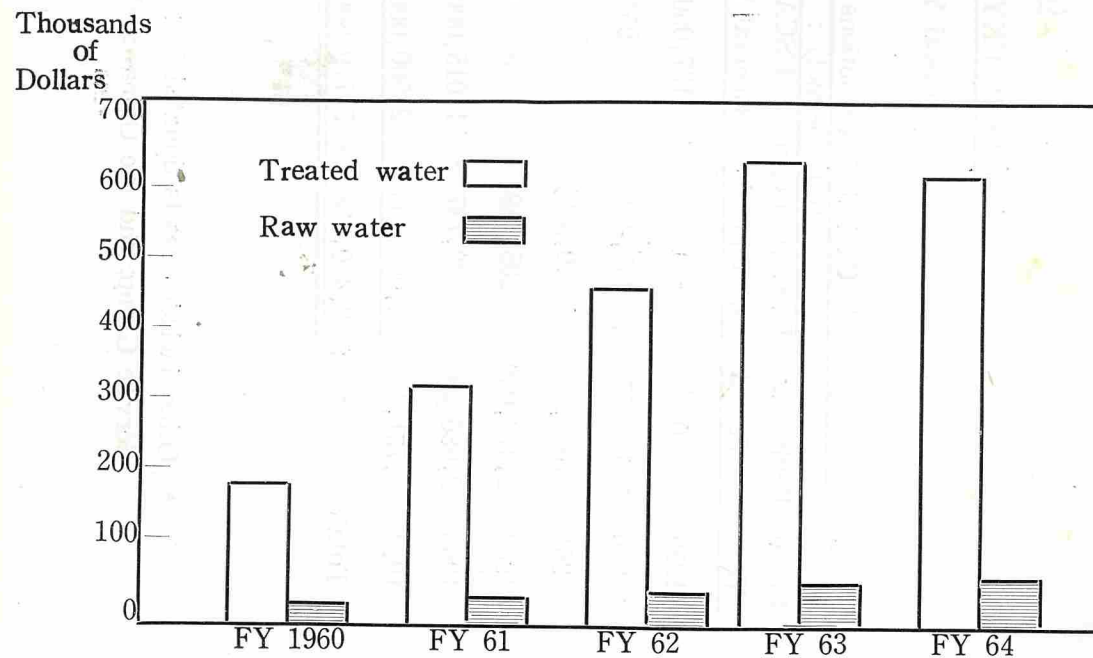
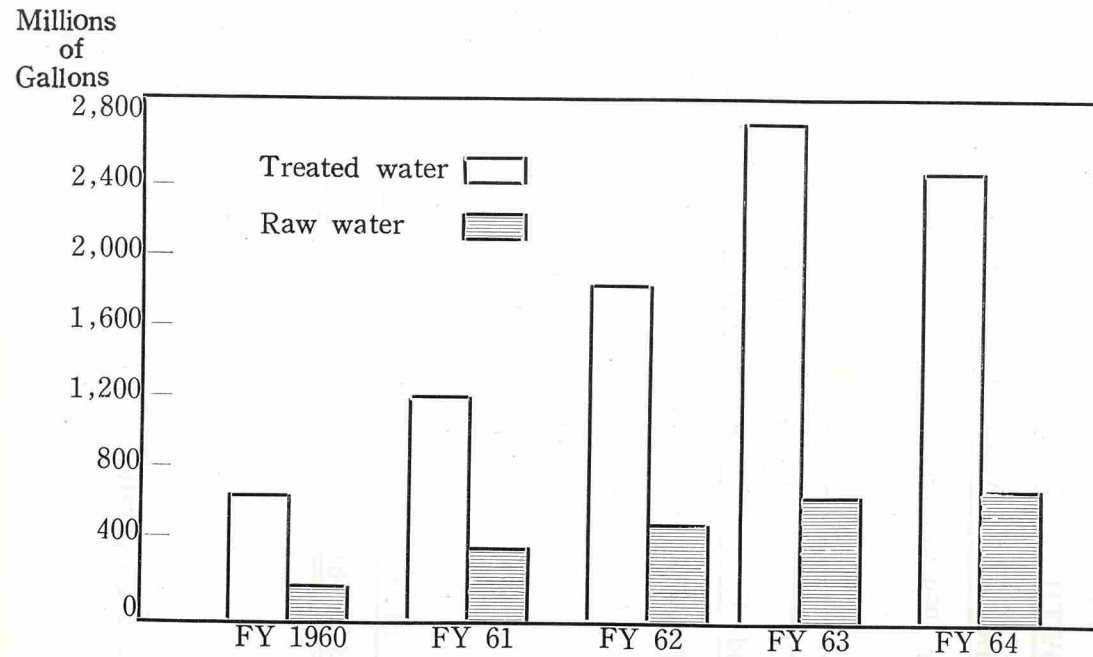
| Fiscal Year | Capital Contributions | | | | Retained Earnings | | |
|-------------|-----------------------|-------------------------|--------------------|-------------|-------------------|---------------|------------|
| | Beginning of Period | U.S. Appropriated Funds | USCAR General Fund | Other* Fund | End of Period | End of Period | |
| | Add (Deduct) : | | | | Add: | | |
| | | | | | Net Profit | Net worth | |
| 1959 | 0 | 0 | \$ 137,000 | \$ 1,577 | \$ 138,577 | \$ 37,409 | \$ 175,986 |
| 1960 | \$ 138,577 | \$ 255,051 | 664,051 | 0 | 1,057,679 | \$ 37,409 | 1,155,397 |
| 1961 | 1,057,679 | (40,579) | 1,454,949 | 0 | 2,472,049 | 97,718 | 2,693,125 |
| 1962 | 2,472,049 | 205,449 | 8,800 | 0 | 2,686,298 | 221,076 | 3,126,896 |
| 1963 | 2,686,298 | 30,137 | 1,015,000 | 0 | 3,731,435 | 440,598 | 4,425,803 |
| 1964 | 3,731,435 | 2,000,000 | 2,500,000 | 51,004 | 8,282,439 | 694,368 | 9,379,213 |
| Total | \$ 2,450,058 | \$ 5,779,800 | \$ 52,581 | | \$ 1,096,774 | | |

* Other includes assets donated by: the U.S. Army, Ryukyu Islands; the U.S. Army Composite Service Group; and the Okinawa Housing Corporation.

APPENDIX NO. 5

ANNUAL SALES OF WATER
BY
THE RYUKYU DOMESTIC WATER CORPORATION

Fiscal Year 1960 through Fiscal Year 1964



APPENDIX NO. 6

BREAKDOWN OF WATER SALES
BY
THE RYUKYU DOMESTIC WATER CORPORATION

1. Breakdown of sale of treated and raw water:

| | In Thousands of Gallons | | Percentage Increase (Decrease) |
|---------------|-------------------------|------------------|--------------------------------|
| | FY 1964 | FY 1963 | |
| Treated water | 2,415,441 | 2,714,304 | (11%) |
| Raw water * | 722,456 | 680,531 | 6% |
| Total | 3,137,897 | 3,394,835 | (8%) |

2. Breakdown of sale of water by type of customers:

| | In Thousands of Gallons | | Percentage Increase (Decrease) |
|--------------------------------------|-------------------------|------------------|--------------------------------|
| | FY 1964 | FY 1963 | |
| Municipalities | 2,723,188 | 2,395,242 | 14% |
| Housing Companies | 171,125 | 27,221 | 529% |
| Commercial and Residential Customers | 243,584 | 972,372 | (75%) |
| Total | 3,137,897 | 3,394,835 | (8%) |

3. Breakdown of sale of water to municipalities:

| | In Thousands of Gallons | | Percentage Increase |
|----------------|-------------------------|------------------|---------------------|
| | FY 1964 | FY 1963 | |
| Naha | 1,567,530 | 1,559,191 | 0.5% |
| Koza | 378,968 | 353,514 | 7% |
| Ginowan | 348,862 | 232,416 | 50% |
| Chatan | 41,026 | 39,888 | 3% |
| Gushikawa | 87,665 | 83,257 | 5% |
| Misato | 59,682 | 26,187 | 128% |
| Yomitan | 45,678 | 30,234 | 51% |
| Urasoe | 164,635 | 66,009 | 149% |
| Kitanakagusuku | 10,743 | 4,546 | 136% |
| Yonagusuku | 4,042 | — | — |
| Kadena | 14,357 | — | — |
| Total | 2,723,188 | 2,395,242 | 14% |

Note: * All sales of raw water were made to Naha City only.

