

# F i n a n c i a l   S e c t i o n

## Five-Year Summary

THE OKINAWA ELECTRIC POWER COMPANY, INCORPORATED  
Years ended March 31

	Millions of Yen				
Financial Statistics	1997	1996	1995	1994	1993
<b>For the year:</b>					
Operating revenues .....	<b>¥127,095</b>	¥125,070	¥120,862	¥118,479	¥112,293
Operating expenses .....	<b>111,851</b>	110,098	106,245	102,382	96,092
Operating income .....	<b>15,244</b>	14,972	14,617	16,097	16,201
Net income .....	<b>904</b>	1,075	1,781	3,163	4,221
<b>At year-end:</b>					
Total assets .....	<b>¥323,528</b>	¥333,213	¥331,143	¥321,992	¥299,572
Shareholders' equity .....	<b>53,179</b>	53,090	52,823	51,838	49,470
Operating Statistics	1997	1996	1995	1994	1993
<b>For the year:</b>					
Electric energy sales (Millions of kWh) .....	<b>6,006</b>	5,854	5,606	5,446	5,110
Peak load (Thousands of kW) .....	<b>1,329</b>	1,310	1,263	1,220	1,133
<b>At year-end:</b>					
Generating capacity (Thousands of kW) .....	<b>1,434</b>	1,461	1,452	1,289	1,129
Transmission lines (km) .....	<b>623</b>	589	538	536	483
Distribution lines (km) .....	<b>9,446</b>	9,252	9,038	8,872	8,631

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### Business Results

In fiscal 1996, the Japanese economy saw a moderate recovery, with housing investment and private-sector capital investment increasing steadily, although public investment decreased. The economy of Okinawa Prefecture also showed a moderate recovery, thanks to firm consumer spending as well as growth in the tourism and related businesses, Okinawa Prefecture being noted for its scenic resorts and sightseeing spots.

Total electric energy sales volume, combining lighting and power sales, for the term under review amounted to 6,006 million kWh, an increase of 2.6% over the previous fiscal year. This was attributable to increased demand for power for commercial and industrial use, such as stores, offices, the water industry, and the cement and non-ferrous industries, in addition to a growth in household demand. Of the total, lighting sales rose 2.7% to 2,358 million kWh, and power sales grew 2.5% to 3,648 million kWh. The peak load rose 22,000 kW, or 1.8%, to 1,256,000 kW\*.

Operating revenues for the fiscal year came to ¥127,095 million (US\$1,024.1 million), up 1.6%. Although an electricity rate cut in January 1996 adversely affected our earnings, increased sales volume and the application of a "Fuel Cost Adjustment System," which reflects fluctuations in crude oil prices and exchange rates in the electricity rate, contributed to the increase in revenues. On the cost side, our capital investment soared in the wake of expanded and improved power

generation and transmission facilities, but we did our best to enhance management efficiency and cut expenses. As a result, operating expenses were held to ¥111,851 million (US\$901.3 million), a slight rise of 1.6% over the previous fiscal year. Income before income taxes fell 2.2% to ¥2,793 million (US\$22.5 million), and net income came to ¥904 million (US\$7,288 thousand), down 15.9%.

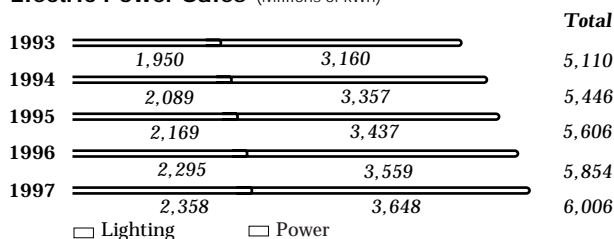
### Plant Investment

OEPC focuses on a reduction and leveling of plant investment from a standpoint of more efficient management, while diversifying its power supply sources and expanding power generation and transmission facilities for the stable and effective supply of electric power.

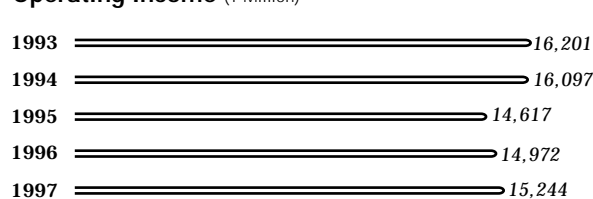
Plant investment for the fiscal year under review amounted to ¥28,318 million, a decrease of ¥3,932 million, or 12.2%, from the previous fiscal year. During the fiscal year ended March 31, 1997, Unit 8 (1,000 kW) of Izena power station and Unit 8 (750 kW) of Yonaguni power station started operations, contributing to the stable supply of electric power to outlying islands. In addition, we extended the Okinawa trunk line, and constructed the Nishi-Naha substation in Naha, the capital city of Okinawa Prefecture, and other substations in the northern, central and southern districts of the main island, respectively.

\*Average value of the three highest daily loads at the sending end

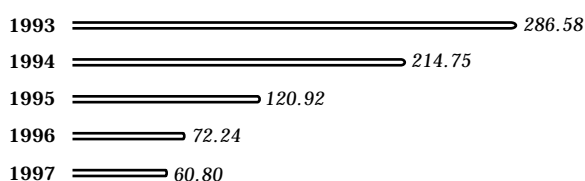
### Electric Power Sales (Millions of kWh)



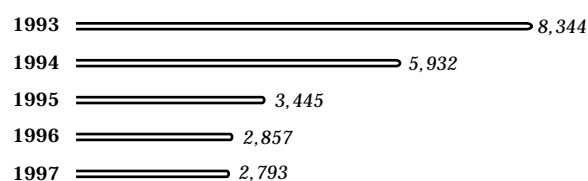
### Operating Income (¥ Million)



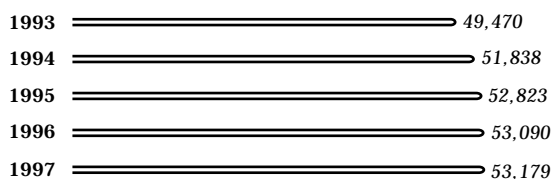
### Net Income per Share (¥)



### Income before Income Taxes (¥ Million)



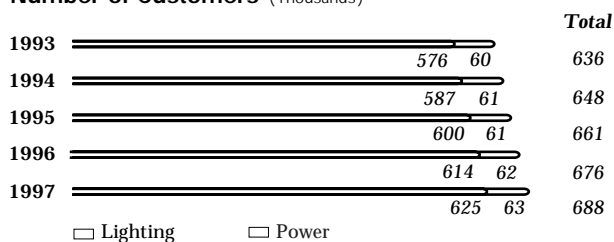
### Shareholders' Equity (¥ Million)



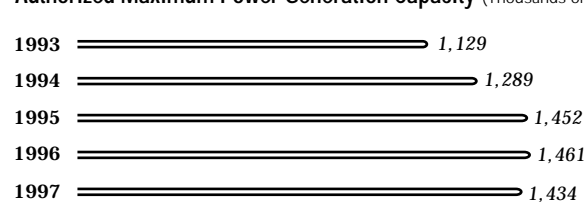
### Shareholders' Equity Ratio (%)



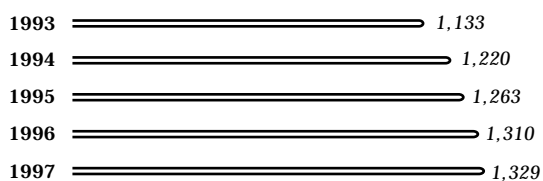
### Number of Customers (Thousands)



### Authorized Maximum Power Generation Capacity (Thousands of kW)



### Peak Load (Thousands of kW)



## Non-Consolidated Balance Sheets

THE OKINAWA ELECTRIC POWER COMPANY, INCORPORATED March 31, 1997 and 1996	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1997	1996	1997
<b>ASSETS</b>			
<b>Utility plant (Note 3):</b>			
Plant and equipment .....	<b>¥539,122</b>	¥509,334	<b>\$4,344,252</b>
Construction in progress (Note 10).....	<b>17,319</b>	22,630	<b>139,560</b>
	<b>556,441</b>	531,964	<b>4,483,812</b>
Less:			
Contributions in aid of construction .....	<b>(21,232)</b>	(21,081)	<b>(171,091)</b>
Accumulated depreciation .....	<b>(232,138)</b>	(206,263)	<b>(1,870,569)</b>
	<b>(253,370)</b>	(227,344)	<b>(2,041,660)</b>
Net utility plant .....	<b>303,071</b>	304,620	<b>2,442,152</b>
<b>Investments and other assets:</b>			
Investment securities (Note 4) .....	<b>1,326</b>	1,128	<b>10,684</b>
Investments in and advances to subsidiaries and affiliates .....	<b>672</b>	622	<b>5,419</b>
Other assets .....	<b>1,040</b>	1,042	<b>8,375</b>
Total investments and other assets .....	<b>3,038</b>	2,792	<b>24,478</b>
<b>Current assets:</b>			
Cash and time deposits .....	<b>8,776</b>	10,088	<b>70,715</b>
Short-term investments .....	<b>1,999</b>	8,997	<b>16,105</b>
Accounts receivable net of allowance for doubtful accounts of ¥93 million (\$750 thousand) in 1997 and ¥106 million in 1996.....	<b>3,292</b>	3,232	<b>26,530</b>
Fuel and supplies inventories .....	<b>3,282</b>	3,443	<b>26,443</b>
Other current assets .....	<b>70</b>	41	<b>572</b>
Total current assets .....	<b>17,419</b>	25,801	<b>140,365</b>
Total .....	<b>¥323,528</b>	¥333,213	<b>\$2,606,995</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Long-term liabilities:</b>			
Long-term debt — less current maturities (Note 5) .....	<b>¥219,570</b>	¥230,979	<b>\$1,769,297</b>
Liabilities for severance payments .....	<b>8,099</b>	8,048	<b>65,264</b>
Other long-term liabilities .....		3	
Total long-term liabilities .....	<b>227,669</b>	239,030	<b>1,834,561</b>
<b>Current liabilities:</b>			
Current maturities of long-term debt (Note 5) .....	<b>21,409</b>	18,438	<b>172,516</b>
Accounts payable (Note 10).....	<b>10,783</b>	10,912	<b>86,890</b>
Accrued income taxes (Note 6) .....	<b>665</b>	1,008	<b>5,360</b>
Accrued expenses (Note 10) .....	<b>8,421</b>	8,589	<b>67,856</b>
Other current liabilities .....	<b>1,402</b>	2,146	<b>11,296</b>
Total current liabilities .....	<b>42,680</b>	41,093	<b>343,918</b>
<b>Commitment and contingent liability (Notes 7 and 8)</b>			
<b>Shareholders' equity (Notes 9 and 11):</b>			
Common stock, ¥500 par value;			
Authorized — 30,000,000 shares			
Issued and outstanding — 14,875,413 shares .....	<b>7,438</b>	7,438	<b>59,933</b>
Additional paid-in capital .....	<b>7,290</b>	7,290	<b>58,746</b>
Legal reserve .....	<b>574</b>	492	<b>4,623</b>
Retained earnings .....	<b>37,877</b>	37,870	<b>305,214</b>
Total shareholders' equity .....	<b>53,179</b>	53,090	<b>428,516</b>
Total .....	<b>¥323,528</b>	¥333,213	<b>\$2,606,995</b>

See notes to non-consolidated financial statements.

## Non-Consolidated Statements of Income

THE OKINAWA ELECTRIC POWER COMPANY, INCORPORATED Years ended March 31, 1997 and 1996	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1997	1996	1997
<b>Operating revenues</b> .....	<b>¥127,095</b>	¥125,070	<b>\$1,024,136</b>
<b>Operating expenses</b> (Note 10):			
Fuel .....	<b>18,859</b>	16,039	<b>151,964</b>
Purchased power .....	<b>14,842</b>	14,960	<b>119,599</b>
Depreciation .....	<b>28,738</b>	29,815	<b>231,579</b>
Repair and maintenance .....	<b>12,862</b>	12,981	<b>103,639</b>
Taxes other than income taxes .....	<b>5,468</b>	5,419	<b>44,057</b>
Other .....	<b>31,082</b>	30,884	<b>250,462</b>
Total operating expenses .....	<b>111,851</b>	110,098	<b>901,300</b>
<b>Operating income</b> .....	<b>15,244</b>	14,972	<b>122,836</b>
<b>Other income</b> .....	<b>293</b>	360	<b>2,361</b>
<b>Other expenses:</b>			
Interest expense (Note 3) .....	<b>11,901</b>	12,340	<b>95,896</b>
Other — net .....	<b>843</b>	135	<b>6,791</b>
Total other expenses .....	<b>12,744</b>	12,475	<b>102,687</b>
<b>Income before income taxes</b> .....	<b>2,793</b>	2,857	<b>22,510</b>
<b>Income taxes</b> (Note 6) .....	<b>1,889</b>	1,782	<b>15,222</b>
<b>Net income</b> .....	<b>¥ 904</b>	¥ 1,075	<b>\$ 7,288</b>
		Yen	U.S. Dollars
<b>Per share of common stock:</b>			
Net income .....	<b>¥60.80</b>	¥72.24	<b>\$0.49</b>
Cash dividends applicable to the year.....	<b>¥50.00</b>	¥50.00	<b>\$0.40</b>

See notes to non-consolidated financial statements.

## Non-Consolidated Statements of Shareholders' Equity

THE OKINAWA ELECTRIC POWER COMPANY, INCORPORATED Years ended March 31, 1997 and 1996	Number of shares (Thousands)	Millions of Yen			
		Common stock	Additional paid-in capital	Legal reserve	Retained earnings
<b>Balance, April 1, 1995</b> .....	14,728	¥7,364	¥7,364	¥409	¥37,686
Net income .....					1,075
Common stock split .....	147				
Transfer from additional paid-in capital .....		74	(74)		
Appropriations:					
Cash dividends .....					(736)
Transfer to legal reserve .....				83	(83)
Bonuses to directors and corporate auditors .....					(72)
<b>Balance, March 31, 1996</b> .....	<u>14,875</u>	<u>7,438</u>	<u>7,290</u>	<u>492</u>	<u>37,870</u>
Net income .....					<b>904</b>
Appropriations:					
Cash dividends .....					<b>(744)</b>
Transfer to legal reserve .....				<b>82</b>	<b>(82)</b>
Bonuses to directors and corporate auditors .....					<b>(71)</b>
<b>Balance, March 31, 1997</b> .....	<u><b>14,875</b></u>	<u><b>¥7,438</b></u>	<u><b>¥7,290</b></u>	<u><b>¥574</b></u>	<u><b>¥37,877</b></u>

	Thousands of U.S. Dollars (Note 1)			
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings
<b>Balance, March 31, 1996</b> .....	\$59,933	\$58,746	\$3,961	\$305,160
Net income .....				<b>7,288</b>
Appropriations:				
Cash dividends .....				<b>(5,993)</b>
Transfer to legal reserve .....			<b>662</b>	<b>(662)</b>
Bonuses to directors and corporate auditors .....				<b>(579)</b>
<b>Balance, March 31, 1997</b> .....	<u><b>\$59,933</b></u>	<u><b>\$58,746</b></u>	<u><b>\$4,623</b></u>	<u><b>\$305,214</b></u>

See notes to non-consolidated financial statements.

## Non-Consolidated Statements of Cash Flows

THE OKINAWA ELECTRIC POWER COMPANY, INCORPORATED Years ended March 31, 1997 and 1996	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1997	1996	1997
<b>Operating activities:</b>			
Net income .....	¥ 904	¥ 1,075	\$ 7,288
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization .....	28,738	29,822	231,579
Loss on disposal of property .....	1,425	701	11,486
Loss on liquidation of debentures .....	677		5,455
Provision for (reversal of) severance payment reserve .....	51	(217)	411
(Reversal of) provision of allowance for doubtful accounts .....	(13)	32	(105)
Bonuses to directors and corporate auditors .....	(71)		(579)
Changes in operating assets and liabilities:			
Decrease (increase) in receivables .....	(47)	547	(379)
Decrease (increase) in inventories .....	161	75	1,296
Increase (decrease) in payables .....	(129)	3,381	(1,037)
Increase (decrease) in accrued income taxes .....	(343)	633	(2,767)
Other .....	(943)	928	(7,594)
Total adjustments .....	29,506	35,902	237,766
Net cash provided by operating activities .....	30,410	36,977	245,054
<b>Investing activities:</b>			
Purchase of utility plant .....	(29,066)	(36,616)	(234,210)
Proceeds from sales of utility plants .....	452	9	3,639
Payment for purchase of investment securities .....	(197)	(133)	(1,591)
Increase in investments in and advances to subsidiaries and affiliates .....	(50)	(65)	(406)
Net cash used in investing activities .....	(28,861)	(36,805)	(232,568)
<b>Financing activities:</b>			
Proceeds from long-term borrowings .....	13,000	18,000	104,754
Payments of long-term borrowings .....	(18,438)	(15,678)	(148,585)
Payment for liquidation of debentures .....	(3,677)		(29,625)
Cash dividends paid .....	(744)	(743)	(5,993)
Net cash provided by (used in) financing activities .....	(9,859)	1,579	(79,449)
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<b>(8,310)</b>	<b>1,751</b>	<b>(66,963)</b>
<b>Cash and cash equivalents, beginning of year .....</b>	<b>19,085</b>	<b>17,334</b>	<b>153,783</b>
<b>Cash and cash equivalents, end of year .....</b>	<b>¥10,775</b>	<b>¥19,085</b>	<b>\$ 86,820</b>
<b>Additional cash flow information:</b>			
Interest paid .....	¥12,059	¥12,386	\$ 97,265
Income taxes paid .....	¥ 2,232	¥ 1,148	\$ 17,985

See notes to non-consolidated financial statements.

## Notes to Non-Consolidated Financial Statements

THE OKINAWA ELECTRIC POWER COMPANY, INCORPORATED  
Years ended March 31, 1997 and 1996

### **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 Electric Utility Law and related accounting regulations, and in conformity with accounting principles generally accepted in Japan. The non-consolidated statements of cash flows are not required as a part of the basic financial statements in Japan but are presented herein as additional information.

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, the notes to the non-consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

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 ¥124.10 to \$1, the approximate rate of exchange at March 31, 1997. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

### **2. Summary of significant accounting policies**

#### **(a) Non-consolidation**

The non-consolidated financial statements do not include the accounts of subsidiaries. Investments in subsidiaries and affiliates (20% — 50% ownership) are stated at cost.

#### **(b) Utility plant and depreciation**

Utility plant is stated at the cost of construction, which includes the interest cost incurred on borrowed funds during the construction period. Contributions in aid of constructions are deducted from the cost of the related assets. The above accounting treatment is required by the regulations described in Note 1. Depreciation of utility plant is provided on the declining-balance method over the estimated useful lives of the assets.

#### **(c) Investment securities**

Investment securities are stated at cost determined by the moving-average method.

#### **(d) Cash and cash equivalents**

For purpose of the non-consolidated statements of cash flows, the Company considers all time deposits and short-term investments to be cash equivalents. Time deposit and short-term investments, which are securities purchased under resale agreements, have original maturities of one year or less and can be withdrawn on demand with no diminution of principal.

#### **(e) Fuel and supplies inventories**

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

#### **(f) Severance payments and pension plan**

The Company has an unfunded retirement plan for all employees and provides a liability for employees' severance payments at 40% of the amount required if all employees voluntarily terminated their employment at each balance sheet date.

The Company also has a non-contributory funded pension plan covering substantially all of its employees. The amounts contributed to the fund, including prior service costs which are amortized at 30% of the beginning balance of the year, are charged to income when paid. The aggregate unfunded prior service costs were ¥803 million (\$6,475 thousand) as of May 31, 1996, the most recent date of available actuarial information.

Total provisions for liabilities for severance payments and pension costs charged to income were ¥1,716 million (\$13,826 thousand) and ¥2,116 million for the years ended March 31, 1997 and 1996, respectively.

#### **(g) Income taxes**

The Company provides for income taxes currently payable for each year. Deferred income taxes are not provided for temporary differences in recognizing certain income and expense items for financial and tax reporting purposes.

#### **(h) Stock and bond issue costs and bond discount charges**

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

#### **(i) Net income per share**

Net income per share is computed based upon the weighted average number of shares of common stock outstanding during each year.

#### **(j) Lease**

All leases are accounted for as operating leases. Under new 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. The disclosure requirements of these new standards are being applied on a step-by-step basis beginning with fiscal years starting on or after April 1, 1994, with full implementation expected for fiscal years starting on or after April 1, 1996.

### 3. Utility plant

The major classes of utility plant are as follows:

	Millions of Yen			
	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
<b>At March 31, 1997</b>				
Thermal power generating facilities ....	<b>¥250,381</b>	<b>¥(17,113)</b>	<b>¥(122,913)</b>	<b>¥110,355</b>
Transmission facilities ...	<b>90,521</b>	<b>(2,038)</b>	<b>(31,265)</b>	<b>57,218</b>
Transformation facilities...	<b>71,504</b>	<b>(240)</b>	<b>(29,993)</b>	<b>41,271</b>
Distribution facilities ....	<b>105,945</b>	<b>(1,827)</b>	<b>(41,230)</b>	<b>62,888</b>
General facilities .....	<b>20,771</b>	<b>(14)</b>	<b>(6,737)</b>	<b>14,020</b>
Construction in progress...	<b>17,319</b>			<b>17,319</b>
	<b>¥556,441</b>	<b>¥(21,232)</b>	<b>¥(232,138)</b>	<b>¥303,071</b>

	Millions of Yen			
	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
<b>At March 31, 1996</b>				
Thermal power generating facilities ....	¥248,940	¥(17,113)	¥(108,104)	¥123,723
Transmission facilities ..	84,572	(1,988)	(27,787)	54,797
Transformation facilities ..	58,408	(145)	(25,868)	32,395
Distribution facilities ....	100,525	(1,821)	(38,425)	60,279
General facilities .....	16,889	(14)	(6,079)	10,796
Construction in progress ..	22,630			22,630
	<u>¥531,964</u>	<u>¥(21,081)</u>	<u>¥(206,263)</u>	<u>¥304,620</u>

	Thousands of U.S. Dollars			
	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
<b>At March 31, 1997</b>				
Thermal power generating facilities ....	<b>\$2,017,573</b>	<b>\$(137,895)</b>	<b>\$( 990,438)</b>	<b>\$ 889,240</b>
Transmission facilities ...	<b>729,419</b>	<b>(16,423)</b>	<b>(251,933)</b>	<b>461,063</b>
Transformation facilities ..	<b>576,174</b>	<b>(1,933)</b>	<b>(241,682)</b>	<b>332,559</b>
Distribution facilities ....	<b>853,709</b>	<b>(14,729)</b>	<b>(332,228)</b>	<b>506,752</b>
General facilities .....	<b>167,376</b>	<b>(111)</b>	<b>(54,288)</b>	<b>112,977</b>
Construction in progress ..	<b>139,561</b>			<b>139,561</b>
	<b><u>\$4,483,812</u></b>	<b><u>\$(171,091)</u></b>	<b><u>\$(1,870,569)</u></b>	<b><u>\$2,442,152</u></b>

Interest costs capitalized for the years ended March 31, 1997 and 1996 were ¥11 million (\$89 thousand) and ¥69 million, respectively.

### 4. Investment securities

The excess of carrying amount over the market value of quoted securities was ¥264 million (\$2,128 thousand) and ¥182 million at March 31, 1997 and 1996, respectively.

### 5. Long-term debt

Long-term debt at March 31, 1997 and 1996 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1997	1996	1997
6.1% secured debentures, due 2004 .....	<b>¥ 2,000</b>	¥ 5,000	<b>\$ 16,116</b>
Secured loans from Okinawa Development Finance Public Corporation, 3.15% to 6.35% in 1997 and 3.15% to 6.55% in 1996, due on various dates through 2012 .....	<b>228,661</b>	232,237	<b>1,842,550</b>
Unsecured loans from banks, 2.50% to 8.40% in 1997 and 3.20% to 8.40% in 1996, due 1998 through 2009 .....	<b>10,318</b>	12,180	<b>83,147</b>
Total .....	<b>240,979</b>	249,417	<b>1,941,813</b>
Less current maturities .....	<b>21,409</b>	18,438	<b>172,516</b>
Long-term debt — less current maturities .....	<b>¥219,570</b>	<u>¥230,979</u>	<b><u>\$1,769,297</u></b>

The Company issued ¥5,000 million (\$40,290 thousand) of 6.1% secured debentures as of February 25, 1992. All debentures mature on February 25, 2004 and are redeemable prior to maturity at prices ranging from 103% to 100% of the principal amount. The Company liquidated ¥3,000 million (\$24,174 thousand) debenture from certain holders at ¥122.55 per ¥100 on February 25, 1997. An excess of the liquidation price over the net carrying amount of ¥677 million (\$5,451 thousand) was charged to 1997 income. The holder has a security interest in all assets senior to that of general creditors by the Electric Utility Law.

At March 31, 1997, debentures and long-term debt with the Okinawa Development Finance Public Corporation were collateralized by all of the Company's available assets.

Maturities of long-term debt outstanding at March 31, 1997 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
1998 .....	¥ 21,409	\$ 172,516
1999 .....	22,691	182,846
2000 .....	23,737	191,270
2001 .....	23,731	191,222
2002 .....	23,261	187,434
2003 and thereafter .....	126,150	1,016,525
Total .....	<u>¥240,979</u>	<u>\$1,941,813</u>

## 6. 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 44% for the year ended March 31, 1997 and 1996, respectively.

The actual effective tax rates in the non-consolidated statements of income differed from the normal statutory tax rates are mainly due to permanently non-deductible expenses and temporary differences in recognizing certain income and expense items for tax and financial statement purposes.

## 7. Lease

The Company leases certain automobiles and office equipment. Total lease payments under above leases for the years ended March 31, 1997 and 1996 was ¥466 million (\$3,751 thousand) and ¥551 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on a "as if capitalized" basis for the year ended March 31, 1997 was as follows:

	Millions of Yen		
	General facilities	Other	Total
Acquisition cost .....	¥2,760	¥310	¥3,070
Accumulated depreciation .....	(1,465)	(177)	(1,642)
Net leased property .....	<u>¥1,295</u>	<u>¥133</u>	<u>¥1,428</u>

	Thousands of U.S. Dollars		
	General facilities	Other	Total
Acquisition cost .....	\$22,241	\$2,499	\$24,740
Accumulated depreciation .....	(11,803)	(1,423)	(13,226)
Net leased property .....	<u>\$10,438</u>	<u>\$1,076</u>	<u>\$11,514</u>

Obligations under finance leases:

	Millions of Yen	Thousands of U.S. Dollars
	Due within one year.....	¥ 380
Due after one year.....	1,049	8,451
Total .....	<u>¥1,429</u>	<u>\$11,514</u>

The imputed interest expense portion is not excluded from the above obligations under finance leases due to its immateriality.

Depreciation expense, which is not reflected in the accompanying statement of income, computed by the straight-line method over the remaining lease term was ¥466 million (\$3,751 thousand) for the year ended March 31, 1997.

## 8. Contingent liability

At March 31, 1997, the Company was contingently liable as a guarantor for loans of an affiliate company in the amount of ¥2,135 million (\$17,204 thousand).

## 9. Shareholders' equity

The Code requires at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital are credited to additional paid-in capital.

The Code also requires the companies to appropriate from retained earnings to a legal reserve an amount equal to at least 10% of all cash payments which are made as an appropriation of retained earnings until such reserve equals 25% of stated capital. This reserve is not available for dividends but may be used to reduce a deficit by resolution of the shareholders.

The Company may transfer portions of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Company may also transfer portions of unappropriated retained earnings, which are available for dividends, to stated capital by resolution of shareholders.

Under the Code, the Company may issue new common shares to existing shareholders without consideration as a stock split pursuant to resolution of the Board of Directors. The Company may make such a stock split to the extent the aggregate par value of the shares outstanding after the stock split does not exceed the stated capital. However, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split shall not be less than ¥500.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semi-annual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

## 10. Related party transactions

The following is a summary of transactions and balances with subsidiaries and affiliates for the years ended March 31, 1997 and 1996:

	Millions of Yen		Thousands of U.S. Dollars
	1997	1996	1997

### Transactions:

Construction cost of facilities .....	<b>¥14,931</b>	¥12,911	<b>\$120,316</b>
Repair and other operating expenses...	<b>16,447</b>	14,401	<b>132,531</b>

### Balance of accounts:

Accounts payable .....	<b>3,950</b>	2,504	<b>31,829</b>
Accrued expenses .....	<b>3,156</b>	2,350	<b>25,431</b>

## 11. Subsequent event

The following appropriations of retained earnings at March 31, 1997 were approved at the shareholders' meeting held on June 27, 1997:

	Millions of Yen	Thousands of U.S. Dollars
	Year-end cash dividends, ¥25 (20¢) per share .....	¥372
Bonuses to directors and corporate auditors .....	76	612
Transfer to legal reserve.....	45	363

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

We have examined the non-consolidated balance sheets of The Okinawa Electric Power Company, Incorporated as of March 31, 1997 and 1996, and the related non-consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the non-consolidated financial statements referred above present fairly the financial position of The Okinawa Electric Power Company, Incorporated as of March 31, 1997 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in Japan applied on a consistent basis.

Our examinations 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 27, 1997

**Deloitte Touche  
Tohmatsu  
International**

## Consolidated Balance Sheets

THE OKINAWA ELECTRIC POWER COMPANY, INCORPORATED AND CONSOLIDATED SUBSIDIARIES March 31, 1997 and 1996	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1997	1996	1997
<b>ASSETS</b>			
<b>Property, plant and equipment:</b>			
Utility plant (Note 3) .....	¥530,144	¥504,790	\$4,271,908
Other plant and equipment .....	8,859	4,792	71,390
Construction in progress (Note 11).....	17,195	22,388	138,560
	<u>556,198</u>	<u>531,970</u>	<u>4,481,858</u>
Less:			
Contributions in aid of construction .....	(21,232)	(21,081)	(171,091)
Accumulated depreciation .....	(232,887)	(207,153)	(1,876,610)
	<u>(254,119)</u>	<u>(228,234)</u>	<u>(2,047,701)</u>
Net property, plant and equipment .....	<u>302,079</u>	<u>303,736</u>	<u>2,434,157</u>
<b>Investments and other assets:</b>			
Investment securities (Note 4) .....	1,430	1,231	11,519
Investments in and advances to non-consolidated subsidiaries and affiliates .....	501	496	4,036
Deferred income taxes (Note 7) .....	1,134	1,161	9,140
Other assets .....	1,299	1,293	10,470
Total investments and other assets .....	<u>4,364</u>	<u>4,181</u>	<u>35,165</u>
<b>Current assets:</b>			
Cash and time deposits .....	11,479	15,011	92,501
Short-term investments .....	1,999	9,000	16,105
Notes and accounts receivable net of allowance for doubtful accounts of ¥122 million (\$982 thousand) in 1997 and ¥125 million in 1996 .....	3,924	3,977	31,621
Inventories .....	3,961	3,821	31,916
Other current assets (Note 11) .....	603	67	4,857
Total current assets .....	<u>21,966</u>	<u>31,876</u>	<u>177,000</u>
Total .....	<u>¥328,409</u>	<u>¥339,793</u>	<u>\$2,646,322</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Long-term liabilities:</b>			
Long-term debt — less current maturities (Note 5) .....	¥219,587	¥231,013	\$1,769,434
Liabilities for severance payments .....	8,419	8,320	67,838
Other long-term liabilities .....	564	3	4,542
Total long-term liabilities .....	<u>228,570</u>	<u>239,336</u>	<u>1,841,814</u>
<b>Current liabilities:</b>			
Current maturities of long-term debt (Note 5) .....	21,415	18,449	172,566
Short-term bank borrowings (Note 6) .....		2,400	
Notes and accounts payable (Note 11).....	15,712	13,935	126,609
Accrued income taxes (Note 7) .....	947	1,190	7,628
Accrued expenses (Note 11) .....	6,652	7,682	53,600
Other current liabilities .....	875	2,275	7,051
Total current liabilities .....	<u>45,601</u>	<u>45,931</u>	<u>367,454</u>
Minority interests .....	254	217	2,047
<b>Commitment and contingent liability</b> (Notes 8 and 9)			
<b>Shareholders' equity</b> (Notes 10 and 13):			
Common stock, ¥500 par value;			
Authorized — 30,000,000 shares			
Issued and outstanding — 14,875,413 shares .....	7,438	7,438	59,933
Additional paid-in capital .....	7,290	7,290	58,746
Legal reserve .....	574	492	4,623
Retained earnings .....	38,682	39,089	311,705
Total shareholders' equity .....	<u>53,984</u>	<u>54,309</u>	<u>435,007</u>
Total .....	<u>¥328,409</u>	<u>¥339,793</u>	<u>\$2,646,322</u>

See notes to consolidated financial statements.

## Consolidated Statements of Income

THE OKINAWA ELECTRIC POWER COMPANY, INCORPORATED AND CONSOLIDATED SUBSIDIARIES Years ended March 31, 1997 and 1996	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1997	1996	1997
<b>Operating revenues:</b>			
Electric .....	<b>¥127,095</b>	¥125,070	<b>\$1,024,136</b>
Other .....	<b>2,242</b>	1,730	<b>18,068</b>
Total operating revenues .....	<b>129,337</b>	126,800	<b>1,042,204</b>
<b>Operating expenses:</b>			
Electric (Note 11) .....	<b>111,059</b>	109,630	<b>894,918</b>
Other .....	<b>2,442</b>	1,645	<b>19,678</b>
Total operating expenses .....	<b>113,501</b>	111,275	<b>914,596</b>
<b>Operating income</b> .....	<b>15,836</b>	15,525	<b>127,608</b>
<b>Other (income) expenses:</b>			
Interest expense (Note 3) .....	<b>11,902</b>	12,340	<b>95,904</b>
Other — net .....	<b>608</b>	(323)	<b>4,903</b>
Net other expenses .....	<b>12,510</b>	12,017	<b>100,807</b>
<b>Income before income taxes and equity in loss of unconsolidated affiliates</b> ....	<b>3,326</b>	3,508	<b>26,801</b>
<b>Income taxes</b> (Note 7) .....	<b>2,188</b>	2,082	<b>17,632</b>
<b>Equity in loss of unconsolidated affiliates</b> .....	<b>534</b>		<b>4,305</b>
<b>Net income</b> .....	<b>¥ 604</b>	¥ 1,426	<b>\$ 4,864</b>
		Yen	U.S. Dollars
<b>Per share of common stock:</b>			
Net income .....	<b>¥40.58</b>	¥95.89	<b>\$0.33</b>
Cash dividends applicable to the year.....	<b>¥50.00</b>	¥50.00	<b>\$0.40</b>

See notes to consolidated financial statements.

## Consolidated Statements of Shareholders' Equity

THE OKINAWA ELECTRIC POWER COMPANY, INCORPORATED AND CONSOLIDATED SUBSIDIARIES Years ended March 31, 1997 and 1996	Number of shares (Thousands)	Millions of Yen			
		Common stock	Additional paid-in capital	Legal reserve	Retained earnings
<b>Balance, April 1, 1995</b> .....	14,728	¥7,364	¥7,364	¥409	¥38,565
Net income .....					1,426
Common stock split .....	147				
Transfer from additional paid-in capital .....		74	(74)		
Appropriations:					
Cash dividends .....					(736)
Transfer to legal reserve .....				83	(83)
Bonuses to directors and corporate auditors .....					(83)
<b>Balance, March 31, 1996</b> .....	<u>14,875</u>	<u>7,438</u>	<u>7,290</u>	<u>492</u>	<u>39,089</u>
Net income .....					<b>604</b>
Appropriations:					
Cash dividends .....					<b>(744)</b>
Transfer to legal reserve .....				<b>82</b>	<b>(82)</b>
Bonuses to directors and corporate auditors .....					<b>(89)</b>
Deduction from an affiliate newly applied for equity method .....					<b>(96)</b>
<b>Balance, March 31, 1997</b> .....	<u><b>14,875</b></u>	<u><b>¥7,438</b></u>	<u><b>¥7,290</b></u>	<u><b>¥574</b></u>	<u><b>¥38,682</b></u>

	Thousands of U.S. Dollars (Note 1)			
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings
<b>Balance, March 31, 1996</b> .....	\$59,933	\$58,746	\$3,961	\$314,980
Net income .....				<b>4,864</b>
Appropriations:				
Cash dividends .....				<b>(5,993)</b>
Transfer to legal reserve .....			<b>662</b>	<b>(662)</b>
Bonuses to directors and corporate auditors .....				<b>(713)</b>
Deduction from an affiliate newly applied for equity method .....				<b>(771)</b>
<b>Balance, March 31, 1997</b> .....	<u><b>\$59,933</b></u>	<u><b>\$58,746</b></u>	<u><b>\$4,623</b></u>	<u><b>\$311,705</b></u>

See notes to consolidated financial statements.

## Consolidated Statements of Cash Flows

THE OKINAWA ELECTRIC POWER COMPANY, INCORPORATED AND CONSOLIDATED SUBSIDIARIES Years ended March 31, 1997 and 1996	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1997	1996	1997
<b>Operating activities:</b>			
Net income .....	¥ 604	¥ 1,426	\$ 4,864
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization .....	28,792	29,962	232,009
Loss on disposal of property .....	1,504	702	12,119
Loss on liquidation of debentures .....	677		5,451
Equity in loss of affiliates .....	540		4,354
Deferred income taxes .....	27	(61)	215
Provision for (reversal of) liability for severance payments .....	99	(177)	795
(Reversal of) provision of allowance for doubtful accounts .....	(3)	30	(26)
Bonuses to directors and corporate auditors .....	(89)		(713)
Changes in operating assets and liabilities:			
Decrease (increase) in receivables .....	56	692	451
Decrease (increase) in inventories .....	(140)	(13)	(1,126)
Increase (decrease) in payables .....	747	4,677	6,020
Increase (decrease) in accrued income taxes .....	(243)	533	(1,961)
Other .....	(1,909)	797	(15,374)
Total adjustment .....	30,058	37,142	242,214
Net cash provided by operating activities .....	30,662	38,568	247,078
<b>Investing activities:</b>			
Purchase of utility plant .....	(29,108)	(37,022)	(234,559)
Proceeds from sales of utility plants .....	469	35	3,781
Payment for purchase of investment securities .....	(199)	(134)	(1,600)
Increase in investments in and advances to unconsolidated subsidiaries and affiliates .....	(77)	(96)	(620)
Net cash used in investing activities .....	(28,915)	(37,217)	(232,998)
<b>Financing activities:</b>			
Proceeds from long-term borrowings .....	13,000	18,000	104,754
Payments of long-term borrowings .....	(18,460)	(15,689)	(148,751)
Payments for liquidation of debentures .....	(3,676)		(29,621)
Decrease in short-term bank borrowings — net .....	(2,400)		(19,342)
Cash dividends paid .....	(744)	(743)	(5,993)
Net cash provided by (used in) financing activities .....	(12,280)	1,568	(98,953)
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<b>(10,533)</b>	<b>2,919</b>	<b>(84,873)</b>
<b>Cash and cash equivalents, beginning of year .....</b>	<b>24,011</b>	<b>21,092</b>	<b>193,479</b>
<b>Cash and cash equivalents, end of year .....</b>	<b>¥13,478</b>	<b>¥24,011</b>	<b>\$108,606</b>
<b>Additional cash flow information:</b>			
Interest paid .....	¥12,072	¥12,390	\$ 97,274
Income taxes paid .....	¥ 2,405	¥ 1,610	\$ 19,379

See notes to consolidated financial statements.

## Notes to Consolidated Financial Statements

THE OKINAWA ELECTRIC POWER COMPANY, INCORPORATED AND CONSOLIDATED SUBSIDIARIES  
Years ended March 31, 1997 and 1996

### 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 purpose in accordance with the provisions set forth in the Japanese Securities and Exchange Law and the Electric Utility Law and 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 and practices generally accepted in Japan.

In preparing these 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, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information. The consolidated statements of cash flows are not required as a part of the basic financial statements in Japan but are presented herein as additional information.

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 ¥124.10 to \$1, the approximate rate of exchange at March 31, 1997. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

### 2. Summary of significant accounting policies

#### (a) Consolidation and investments in unconsolidated subsidiaries and affiliates (ownership from 20% to 50%)

The consolidated financial statements include the accounts of the Company and its three significant subsidiaries. All significant inter-company transactions and account balances have been eliminated. Investments in two significant affiliates are accounted for under the equity method. In 1996, the investment in an affiliate has been accounted for by the equity method due to its increasing materiality with respect to the consolidated net income.

Consolidation of remaining subsidiaries and the application of the equity method to the remaining affiliates, would have no material effect on the accompanying consolidated financial statements.

Investments in unconsolidated subsidiaries and other affiliates are stated at cost. The excess of net assets over cost of subsidiaries acquired is charged to income when incurred.

The Companies provide the equity portion of deficit in net assets of an affiliate, of which loan has been guaranteed by the Company, as "loss on investment under equity method applied" of ¥564 million (\$4,542 thousand) included in other liabilities on the accompanying consolidated balance sheet as of March 31, 1997.

#### (b) Property, plant and equipment

Property, plant and equipment are stated at cost. The cost of utility plant includes certain interest costs incurred on borrowed funds during the construction period of new plant facilities. Contributions in aid of constructions are deducted from the cost of the related assets. The above accounting treatment is required by the regulations described in Note 1. Depreciation of property, plant and equipment is provided using the declining-balance method over the estimated useful lives of the assets.

#### (c) Investment securities

Investment securities are stated at cost determined by the moving-average method.

#### (d) Cash and cash equivalents

For purpose of the consolidated statements of cash flows, the Companies consider all time deposits and short-term investments to be cash equivalents. Time deposit and short-term investments, which are securities purchased under resale agreements, have original maturities of one year or less and can be withdrawn on demand with no diminution of principal.

#### (e) Inventories

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

#### (f) Severance payments and pension plans

The Companies have unfunded retirement plans for all employees and provides a liability for employees' severance payments at 40% of the amount required if all employees voluntarily terminated their employment at each balance sheet date.

The Companies also have a non-contributory funded pension plan covering substantially all of their employees. The amounts contributed to the fund, including prior service costs which are amortized generally at 30% of the beginning balance of the year, are charged to income when paid. The aggregate unfunded prior service costs were ¥894 million (\$7,206 thousand) as of end of each pension fund period.

Total provisions for liabilities for severance payments and pension costs charged to income were ¥1,774 million (\$14,293 thousand) and ¥2,164 million for the years ended March 31, 1997 and 1996, respectively.

#### (g) Income taxes

Income taxes are provided for amounts currently payable for each year. Deferred income taxes arising from temporary differences between reporting for accounting purposes and tax purposes have not been recognized, except for those applicable to unrealized profits arising from the elimination of intercompany transaction in consolidation.

#### (h) Stock and bond issue costs and bond discount charges

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

#### (i) Net income per share

Net income per share is computed based upon the weighted average number of shares of common stock outstanding during each year.

#### (j) Lease

All leases are accounted for as operating leases. Under new Japanese accounting standards for leases, finance lease 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. The disclosure requirements of these new standards are being applied on a step-by-step basis beginning with fiscal years starting on or after April 1, 1996, with full implementation expected for fiscal years starting on or after April 1, 1998.

### 3. Utility plant

Utility plant, at cost, at March 31, 1997 and 1996, consisted of the following:

	Millions of Yen		Thousands of
	1997	1996	U.S. Dollars
Thermal power generating facilities .....	<b>¥248,627</b>	¥247,236	<b>\$2,003,441</b>
Transmission facilities.....	<b>90,081</b>	84,176	<b>725,879</b>
Transformation facilities .....	<b>70,242</b>	57,356	<b>566,008</b>
Distribution facilities.....	<b>105,457</b>	100,077	<b>849,774</b>
General facilities .....	<b>15,737</b>	15,945	<b>126,806</b>
Total .....	<b>¥530,144</b>	¥504,790	<b>\$4,271,908</b>

Interest costs capitalized for the year ended March 31, 1997 and 1996 was ¥11 million (\$89 thousand) and ¥69 million, respectively.

### 4. Investment securities

The excess of the carrying amount over market value of quoted securities was ¥282 million (\$2,270 thousand) and ¥195 million at March 31, 1997 and 1996, respectively.

### 5. Long-term debt

Long-term debt at March 31, 1997 and 1996 consisted of the following:

	Millions of Yen		Thousands of
	1997	1996	U.S. Dollars
6.1% secured debentures, due 2004 .....	<b>¥ 2,000</b>	¥ 5,000	<b>\$ 16,116</b>
Secured loans from Okinawa Development Finance Public Corporation, 3.15% to 6.35% in 1997 and 3.15% to 6.55% in 1996, due on various dates through 2012 .....	<b>228,661</b>	232,237	<b>1,842,550</b>
Unsecured loans from banks, 1.875% to 8.40% in 1997 and 3.20% to 8.40% in 1996, due 1998 through 2009.....	<b>10,341</b>	12,225	<b>83,334</b>
Total .....	<b>241,002</b>	249,462	<b>1,942,000</b>
Less current maturities.....	<b>21,415</b>	18,449	<b>172,566</b>
Long-term debt — less current maturities .....	<b>¥219,587</b>	¥231,013	<b>\$1,769,434</b>

The Company issued ¥5,000 million (\$40,290 thousand) of 6.1% secured debentures as of February 25, 1992. All debentures mature on February 25, 2004 and are redeemable prior to maturity at prices ranging from 103% to 100% of the principal amount. The Company liquidated ¥3,000 million (\$24,174 thousand) debenture from certain holders at ¥122.55 per ¥100 on February 25, 1997. An excess of the liquidation price over the net carrying amount of ¥677 million (\$5,451 thousand) was charged to 1997 income. The holder has a security interest in all assets senior to that of general creditors by the Electric Utility Law.

At March 31, 1997, debentures and long-term debt with the Okinawa Development Finance Public Corporation were collateralized by all of the Company's available assets.

Maturities of long-term debt outstanding at March 31, 1997 were as follows:

Year ending March 31,	Millions of Yen	Thousands of
		U.S. Dollars
1998 .....	¥ 21,415	\$ 172,566
1999 .....	22,697	182,896
2000 .....	23,743	191,320
2001 .....	23,735	191,259
2002 .....	23,261	187,434
2003 and thereafter .....	126,151	1,016,525
Total .....	<b>¥241,002</b>	<b>\$1,942,000</b>

### 6. Short-term bank borrowings

Short-term bank borrowings represented unsecured notes payable to banks due generally in one year, bearing interest rates of approximately 1.60% at March 31, 1996.

### 7. Income taxes

The Companies are subject to several taxes based on income. For the years ended March 31, 1997 and 1996, the aggregate normal statutory tax rates approximated 44% for the Company and 50% for its consolidated subsidiaries.

The actual effective tax rates in the consolidated statements of income differed from the normal statutory tax rates are mainly due to permanently non-deductible expenses and temporary differences in recognizing certain income and expense items for tax and financial statement purposes.

The provision for income taxes for the years ended March 31, 1997 and 1996 consisted of the following:

	Millions of Yen		Thousands of
	1997	1996	U.S. Dollars
Current.....	<b>¥2,162</b>	¥2,143	<b>\$17,417</b>
Deferred.....	<b>26</b>	(61)	<b>215</b>
Net .....	<b>¥2,188</b>	¥2,082	<b>\$17,632</b>

### 8. Lease

The Companies lease certain automobiles and office equipment. Total lease payments under above leases for the year ended March 31, 1997 and 1996 was ¥376 million (\$3,030 thousand) and ¥551 million, respectively.

At March 31, 1997, commitments under the above leases were as follows:

	Millions of Yen	Thousands of
		U.S. Dollars
Due within one year.....	¥ 318	\$ 2,566
Due after one year.....	1,013	8,162
Total .....	<b>¥1,331</b>	<b>\$10,728</b>

### 9. Contingent liability

At March 31, 1997, the Companies were contingently liable as a guarantor for loans of an affiliate company in the amount of ¥2,135 million (\$17,204 thousand).

## 10. Shareholders' equity

The Code requires at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital are credited to additional paid-in capital.

The Code also requires the companies to appropriate from retained earnings to a legal reserve an amount equal to at least 10% of all cash payments which are made as an appropriation of retained earnings until such reserve equals 25% of stated capital. This reserve is not available for dividends but may be used to reduce a deficit by resolution of the shareholders.

The Company may transfer portions of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Company may also transfer portions of unappropriated retained earnings, which are available for dividends, to stated capital by resolution of shareholders.

Under the Code, the Company may issue new common shares to existing shareholders without consideration as a stock split pursuant to resolution of the Board of Directors. The Company may make such a stock split to the extent the aggregate par value of the shares outstanding after the stock split does not exceed the stated capital. However, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split shall not be less than ¥500.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semi-annual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

Under the Code, the amount available for dividends is based on retained earnings as recorded on the Company's books. At March 31, 1997, retained earnings recorded on the Company's books were ¥37,877 million (\$305,213 thousand) which is available for future dividends subject to the approval of the shareholders and legal reserve requirements.

## 11. Related party transactions

The following is a summary of transactions and balances with non-consolidated subsidiaries and affiliates for the years ended March 31, 1997 and 1996:

	Millions of Yen		Thousands of
	1997	1996	U.S. Dollars
			1997
<b>Transactions:</b>			
Construction cost of facilities .....	¥ 9,337	¥ 8,383	\$ 75,235
Repair and other operating expenses...	6,043	4,949	48,697
<b>Balance of accounts:</b>			
Other current assets .....	216	26	1,740
Accounts payable .....	2,148	1,854	17,309
Accrued expenses .....	1,458	1,087	11,749

## 12. Segment information

Information about operations in different industry segments of the Companies for the years ended March 31, 1997 and 1996 is as follows:

1997	Millions of Yen			
	Electric	Other	Eliminations	Consolidated
Sales to customers.....	¥127,095	¥ 2,242		¥129,337
Intersegment sales.....		15,998	¥(15,998)	
Total operating revenues .....	127,095	18,240	(15,998)	129,337
Operating expenses .....	111,851	17,707	(16,057)	113,501
Operating income.....	¥ 15,244	¥ 533	¥ 59	¥ 15,836
Total assets .....	¥323,528	¥12,635	¥ (7,754)	¥328,409
Depreciation and amortization .....	28,738	380	(326)	28,792
Capital investments .....	28,318	266	(342)	28,242

1996	Millions of Yen			
	Electric	Other	Eliminations	Consolidated
Sales to customers.....	¥125,070	¥ 1,730		¥126,800
Intersegment sales.....		14,442	¥(14,442)	
Total operating revenues .....	125,070	16,172	(14,442)	126,800
Operating expenses .....	110,098	15,484	(14,307)	111,275
Operating income.....	¥ 14,972	¥ 688	¥ (135)	¥ 15,525
Total assets .....	¥333,213	¥11,264	¥(4,684)	¥339,793
Depreciation and amortization .....	29,822	452	(312)	29,962
Capital investments .....	32,251	600	(564)	32,287

1997	Thousands of U.S. Dollars			
	Electric	Other	Eliminations	Consolidated
Sales to customers.....	\$1,024,136	\$ 18,068		\$1,042,204
Intersegment sales.....		128,915	\$(128,915)	
Total operating revenues .....	1,024,136	146,983	(128,915)	1,042,204
Operating expenses .....	901,300	142,689	(129,393)	914,596
Operating income.....	\$ 122,836	\$ 4,294	\$ 478	\$ 127,608
Total assets .....	\$2,606,995	\$101,808	\$ (62,481)	\$2,646,322
Depreciation and amortization .....	231,579	3,058	(2,628)	232,009
Capital investments .....	228,192	2,145	(2,761)	227,576

Notes: 1. "Other" industry segment consisted of sales and maintenance services of electric appliances, and electrical and mechanical engineering and others. Under the guidance of the regulatory authority, the Company is only allowed to invest in industry segments which are related to the electric segment.

2. The Companies do not have foreign operations.

3. No sales to foreign customers were made during the year ended March 31, 1997 and 1996.

### 13. Subsequent event

The following appropriations of retained earnings at March 31, 1997 were approved at the shareholders' meeting held on June 27, 1997:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥25 (20¢) per share .....	¥372	\$2,997
Bonuses to directors and corporate auditors .....	94	760
Transfer to legal reserve.....	45	363

## Independent Auditors' Report

# Deloitte Touche Tohmatsu



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

We have examined the consolidated balance sheets of The Okinawa Electric Power Company, Incorporated and consolidated subsidiaries as of March 31, 1997 and 1996, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of The Okinawa Electric Power Company, Incorporated and consolidated subsidiaries as of March 31, 1997 and 1996, and the results of their operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan applied on a consistent basis.

Our examinations 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 27, 1997

**Deloitte Touche  
Tohmatsu  
International**