The Okinawa Electric Power Company, Incorporated (OEPC)

Annual Report 2000

Financial Highlights (Consolidated)

THE OKINAWA ELECTRIC POWER COMPANY, INCORPORATED
Years ended March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
For the year:			
Operating revenues	**¥141,820**	¥136,319	**$1,336,036**
Operating income	**21,522**	20,635	**202,750**
Net income	**4,263**	1,973	**40,158**
Per share of common stock (Yen and U.S. Dollars):			
Net income	**¥280.95**	¥132.66	**$2.65**
Cash dividends	**50.00**	50.00	**0.47**
At year-end:			
Total assets	**¥392,749**	¥344,581	**$3,699,946**
Total shareholders' equity	**62,956**	56,794	**593,088**

Note: The U.S. Dollar amounts represent translation of Japanese yen for convenience only at the approximate exchange rate on March 31, 2000, of ¥106.15 to $1.

Operating Highlights (Non-Consolidated)

Years ended March 31, 2000, 1999 and 1998	**2000**	1999	1998
For the year:			
Electric energy sales (Millions of kWh)			
Lighting	**2,582**	2,592	2,364
Power	**3,976**	4,024	3,762
Peak load (Thousands of kW)	**1,407**	1,411	1,317
At year-end:			
Number of customers:			
Lighting	**664,986**	652,745	640,949
Power	**66,522**	64,847	63,786
Generating capacity (Thousands of kW)	**1,445**	1,445	1,444
Route length of transmission lines (km):			
Overhead	**533**	526	514
Underground	**147**	142	137

Profile

One of Japan's ten electric power utility companies, Okinawa Electric Power Company (OEPC) supplies power throughout Okinawa Prefecture, an island chain located at the very southern tip of the Japanese archipelago. The population of Okinawa Prefecture is approximately 1.3 million. In addition to the main island, the prefecture contains a large number of smaller islands scattered across a vast area. Another notable characteristic of this region is the damage frequently suffered due to typhoons in the summer. At OEPC, we have successfully solved the problems of operating a power supply service under such severe geographical and meteorological conditions and have fulfilled our main mission of maintaining a steady and reliable power supply 365 days of the year to all of Okinawa's 39 inhabited islands.

Since the Company's privatization in 1988, in line with its policy of providing a high-quality service to our customers at as low a cost as possible, OEPC has carried out several reductions in electricity rates and has proceeded with the planned expansion of its power generation facilities and transmission network to assure customers of a safe and steady power supply over the long term. Our policy regarding the composition of our power station network is to emphasize coal-fired generation rather than oil-fired generation due to cost expenditure considerations. At the same time however, we have given careful thought to environmental impact, leading to such measures as the development of ways of recycling the coal ash produced by these power stations. In similar vein, we have been pouring considerable effort into the development of technologies for the utilization of new environmentally friendly energy sources such as solar and wind power.

Needless to say, the management of OEPC places prime focus on maintaining the Company's finances in a sound condition. Moreover, to fully play the role of a responsible corporate citizen, OEPC engages in regional activities that contribute to the maintenance of a vibrant regional cultural life in Okinawa.

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The Company registered increases in net sales and net income on a consolidated basis in the fiscal year ended March 31, 2000. This was made possible partly by the contribution made by our consolidated subsidiaries. The management is currently pursuing a policy of reinforcing the Company's business base by harnessing the combined strength of the whole OEPC group to achieve a level of competitiveness that will allow us to survive and prosper in this age of ongoing deregulation in the power utility industry.

Operating Environment and Performance

During the term under review, the economy of Okinawa showed growing signs of strength overall in spite of the continued low level of consumer spending, thanks to a favorable performance by tourism, one of the region's principal industries, as well as the positive impact of the government's economic stimulus measures. Due to this, OEPC posted firm sales of power to the commercial and residential sectors in volume terms, but sales were unable to equal the previous year, which had benefited from consistently record-high temperatures. In addition, sales of electricity to the industrial sector declined slightly, as a result of which total power sales slipped 0.9% from the previous term, to 6,558 million kWh.

Operating revenue from OEPC's electric power supply activities during the term under review fell below the previous term's level, but thanks to an increase in the number of consolidated subsidiaries (the additionally consolidated subsidiaries are engaged in the construction and telecommunication businesses), total sales on a consolidated basis were up 4.0% year-on-year at ¥141,820 million (US$1,336.0 million). Income before income taxes and minority interest increased 18.0% to ¥7,606 million (US$71.7 million), and net income came to ¥4,263 million (US$40.2 million).

In line with the Company's policy of maintaining a steady annual dividend of ¥50 per share, we declared a term-end dividend of ¥25 per share, which was the same as the interim dividend. In commemoration of the 10th anniversary of OEPC's privatization, which fell on May 1999, and also to return additional profits to our shareholders, we implemented a stock split at a ratio of 1:1.02 shares. Eligible shareholders were those who held shares as of March 31, 1999.

Principal Measures Implemented during the Term

The staff of OEPC have been applying their full efforts to the improvement of management efficiency, which is the main prerequisite for lowering electricity rates. Capital investment during the term increased over the previous year owing to the start of full-scale construction of the Kin Thermal Power Station, which is scheduled to start operation in 2002, but after careful reexamination of the details of construction plans for each facility at the actual implementation stage, we were able to reduce the originally planned ¥57.8 billion capital investment amount by ¥3.2 billion to ¥54.6 billion.

As a means of cutting the cost of equipment purchase, we actively sought out sources of procurement overseas, as a result of which the ratio to total procurement of equipment from abroad rose to 5.9% (¥500 million). We also exerted efforts to improve management efficiency from various angles: the promotion of load leveling (reducing the difference in electric power demand between different seasons and between daytime and nighttime); taking steps to lower the cost of supplying electricity to remote islands; raising the efficiency of clerical work operations through the installation of an advanced information system; and reducing fund procurement costs by issuing bonds and commercial paper.

Apart from stepping up security measures during the G8 Okinawa Summit in July 2000 in order to eliminate all possibility of sabotage of our steady power supply, we have also worked in other ways to ensure the success of the summit meeting, such as environmental beautification campaigns and the provision of interpreters for the foreign press and other officials.

Future Prospects

The partial deregulation of the electric power utility industry, which started on March 2000, allows companies other than the existing 10 Japanese power companies to supply electricity to industrial customers whose contractual consumption exceeds a fixed volume. OEPC displays certain unique characteristics, such as the relatively high ratio of power supplied to remote islands. Due to this, the degree of deregulation applied to OEPC's business is smaller than in the case of the other 9 power companies, but it is only a matter of time before full-scale liberalization is applied to the power supply market in Okinawa. We are therefore fully aware of the need to improve our cost-competitiveness and offer even more attractive services in order to stay ahead of our potential rivals. For this reason we have established a committee composed of full-time members of the Board of Directors to study ways of responding to this market liberalization. The committee will be examining the other power companies' responses to deregulation with a view to devising unique countermeasures suited to OEPC's business situation.

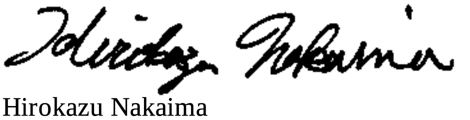
Chairman Masaharu Minei *President* Hirokazu Nakaima

At the same time, we must also be prepared for other changes in the business environment such as the rapid spread of IT (information technology). The intensification of market activities, the development of new business lines and the strengthening of our business base in the field of telecommunications are also among our priorities. We are marshalling the total power of the OEPC group to successfully meet these challenges. As part of these efforts, we have established from this year a venture business system with the goals of developing new business lines and expanding operations in the telecommunications field.

Our top priority is to improve management efficiency and in line with this, our long-term management plan, which started in fiscal 2000, calls for a ¥50 billion reduction in our original 10-year capital investment target to ¥350 billion. We will continue to work toward achieving lower electricity charges while maintaining a sufficient level of earnings through the reduction of the cost of power supply. In the meantime, we will devote even more efforts to such ongoing issues as environmental protection, the development and practical realization of new energy sources, and contributions to the regional community.

For the current term, we forecast the volume of power sales to remain largely unchanged from the term under review at 6,543 million kWh, with sales on a consolidated basis rising 0.1% at ¥142 billion and net income of approximately ¥3 billion.

Masaharu Minei
Chairman



Hirokazu Nakaima
President

OEPC's power supply plan for fiscal 1999, which ended on March 31, 2000, centered on the core principles of ensuring the Company's ability to provide a steady supply of power over the long term while simultaneously reducing costs. It comprised three priority policies: rigorous cost cutting measures, the creation of a highly efficient transmission network, and measures to prevent environmental damage and to develop new sources of energy.

Kin Thermal Power Station

Power Generation Facilities

We are pushing forward with plans for the expansion of our power generation facilities to cope with forecast increases in demand, while at the same time attempting to ensure that the twin criteria of economic feasibility and maintenance of a steady supply are met.

In the term under review, the main developments in the area of power generation facilities were the start of construction of the main generation plant of the Kin Thermal Power Station on the main island — scheduled to start operation in February 2002 — and the start of operation of wind-powered generators on Hateruma and Tarama islands and a new hybrid system using a combination of wind power, accumulators, batteries and existing diesel engines on Miyako Island. In June and July of 2000, for the first time on one of the smaller islands, a fixed-type gas turbine generator was installed at the No.2 Power Station on Ishigaki Island. This generator allows a considerable cost reduction compared with conventional diesel generators.

Turning to the composition of OEPC's generation facilities by energy source, the Company is following a policy of assuring greater power supply stability by reducing its dependence on oil-fired power stations and gradually shifting more toward coal-fired generation. During the term under review, coal-fired power stations accounted for 60% of total power generated and oil-fired power stations for the remaining 40%, compared with 59% and 41%, respectively in the previous year. With the start of operation of the coal-fired Kin Thermal Power Station, currently under construction, the coal-fired ratio will rise to 72% by 2009. Coal-fired power stations require the provision of a site where the ash left over after coal combustion can be disposed of. To help reduce the scale of this waste disposal problem, OEPC is operating a plant that recycles coal ash into a construction material called "Pozotech."

One of the Company's most important management tasks is to find ways of reducing the cost of supplying power to the inhabited islands of Okinawa Prefecture that lie at some distance from the Main Island. To this end, we are carrying out a thorough review of the types, capacities, and detailed specifications of power generation facilities used on these remote islands, and are steadily forging ahead with plans for prolonging the useful lives of existing equipment, laying undersea cables, and developing systems for generating power from new sources of energy. By these means, we aim to create economical and efficient systems for the supply of electricity to remote islands. Construction of the gas turbine generation system on Miyako Island is scheduled to start in fiscal 2000.

Transmission Facilities

OEPC is bolstering its transmission facilities to ensure a steady, uninterrupted supply of electricity while transmitting power efficiently at a low cost. Specifically, to raise the operation efficiency of our transmission network — which is both growing in size and becoming more complex — and to promote labor saving, we are installing automatic distribution systems, providing backup trunk-line routes in case of breakdowns, increasing the thickness of our power transmission lines, and steadily expanding the application of new methods of installation that minimize the probability of power blackouts.

In addition to procuring more of our equipment such as storage batteries and distribution transformers from overseas, we are taking a wide range of steps to lower costs still further at all stages, from basic facility design through detailed specification design to installation methods and purchasing.

In June 2000, the construction of the No.2 power transmission route (west side) for the Gushikawa Power Station was completed after approximately two years of work. This will provide a backup route in the event of damage to the east side route. In conjunction with this, the doubling of the cables on the new route, which had originally been scheduled for later, was brought forward in consideration of the need to provide additional safeguards against a power shortage at the site of the G8 Summit.

The transformation facility in Enobi

Currently, construction is underway on the 7.6km Enobi Trunk Line, which will link up the Kin Power Station with OEPC's network, and will be completed by fiscal 2001 along with all necessary transformer facilities, in preparation for the new power station's start-up in fiscal 2002.

In readiness for the expected expansion of business in the telecommunications field in Okinawa Prefecture, OEPC is drawing up a plan for the efficient laying of a network of fiber-optic cables by utilizing its existing power transmission and local power distribution networks.

Marketing Activities

The Company has been tackling two priority tasks — to respond effectively to the partial liberalization of electric power sales as of March 2000, and to promote load leveling both between seasons and between daytime and nighttime.

Deregulation has brought the Japanese electric power industry to a historic crossroads, and OEPC is no exception. To weather the coming crisis, we have already taken steps to improve our management efficiency with even greater thoroughness than hitherto, have designed menus of electricity charges that cater to the diverse needs of our customers, and have taken stronger measures to reduce average charges.

Regarding load leveling, during the term we carried out marketing activities to promote the use of home-use electric water heaters that utilize less expensive nighttime electricity. For offices and other commercial premises, we promoted air-conditioning systems that create ice using inexpensive power at night, subsequently utilizing it for cooling during the day, as well as energy-saving vending machines. We were particularly successful in promoting the spread of electric water heaters, ownership of which increased by 37.8% over the previous term, thanks in part to our rental system. We deployed "mobile showrooms" throughout the prefecture to introduce consumers not only to electric water heaters but also to electric cookers and dishwashers. These vehicles — containing mockups of residences filled with such electric appliances — touted the advantages of electricity in terms of safety and convenience. In this, and many other ways, we conducted marketing activities closely tailored to the preferences and needs of consumers in Okinawa.

In the current term, ending March 2001, we intend to conduct further research into the system and electricity rates menus for deregulated supply areas, as well as taking steps to obtain an accurate grasp of the status of power usage in areas that are still regulated. We also aim to design a flexible and diversified rates menu that will enable us to compete successfully with new entrants into the power utility field.

We also plan more active disclosure of our business activities, including an expanded Internet website, to foster greater understanding of the Company among the public. We will utilize conventional marketing methods and a wide variety of tools to create an extensive database that accurately reflects our customers' views and desires, and will ensure that these findings are reflected in our management strategies.

Preservation of the Environment and Utilization of New Energy Sources

A utility company bears a heavy responsibility to help preserve the environment. Based on its Environmental Preservation Action Plan and under its own initiative, OEPC is directing its technical know-how from a variety of angles and with maximum effort toward achieving harmony between its business activities and the environment at all its offices, power stations and other sites.

In February 1999, the Ishikawa Power Station acquired ISO 14001 certification, the international standard for environmental management systems, and we are currently bending our efforts toward obtaining the same certification for our Gushikawa and Makiminato power stations within fiscal 2000. With regard to the emission of greenhouse gases, notably CO_2 and NO_2, in response to the specific targets set for the industrialized countries for reductions in emission volumes, we have established the Global Environment Committee, which is charged with finding optimal means of preventing damage to the environment.

Topic

Naha Branch Moves to Okiden Naha Building

The ten-story Okiden Naha Building in the Okinawan prefectural capital of Naha was completed in the term under review and OEPC's Naha Branch moved in on October 15, 1999. A celebration ceremony attended by many guests was held in November.

Topic

New-Energy Hybrid Generation System Installed on Hateruma and Tarama Islands

The system in question combines wind-powered generation with storage batteries and diesel-powered generators. Thanks to the Company's recent development of an automatic control system, variations in output caused by fluctuations in wind strength can be prevented, thus obviating any adverse effect on the whole system's voltage or frequency and ensuring a stable supply of power.

The Ginoza Wind Power Research Facility

In the area of new energy sources, we take account both of the need to preserve the environment and of the geographical characteristics of Okinawa Prefecture (an island chain with a subtropical climate), and have been developing technologies for the utilization of solar power and wind power, and for the creation of power storage systems using batteries, as well as conducting research into "multi-hybrid" power generation systems. During the term under review, we succeeded in developing a control system to stabilize power output from wind-powered generation facilities, which are subject to extreme fluctuations in wind strength, and the practical realization of this system is now within sight. In addition, OEPC's hybrid wind-powered generation system for remote islands, which efficiently combines wind power with a diesel-powered generator, received an award in recognition of its embodiment of the ideals of new energy development for the 21st century.

Building on the successes described above, we are promoting the systematic introduction of power generation systems adapted to the varying scales of power demand on the Main Island and on the remote islands throughout the prefecture, and we will continue our efforts to reduce the construction costs of these systems.

Promoting Internationalization

In addition to its vigorous exchange activities with overseas power companies in Taiwan, South Korea, Hawaii and elsewhere, OEPC also takes a multifaceted approach to the promotion of internationalization, including increasing procurement of parts and equipment abroad to pull down costs, sending representatives to international conferences on energy matters and conducting overseas observation tours.

During the term under review, we put particular effort into helping ensure the success of the Okinawa G8 Summit. In preparation for this event, we dispatched a team to Cologne, Germany in June 1999 to study the G8 Summit held there. The team investigated various aspects of the summit, including the preparations made to receive the visiting delegations. With more specific reference to our business line of power supply, the president of OEPC attended the 5th "summit" of heads of power companies from Japan, the United States, and Europe, held in April 1999, where he engaged in a lively and fruitful exchange of views regarding such global trends as the liberalization of the electric power market and measures that could be taken by power companies to adapt themselves to the new circumstances.

We sent study groups to US power companies to examine at first hand the ways in which they are making use of technological innovations, as well as the development of state-of-the-art, inexpensive, environmentally-friendly small-scale power generation equipment using micro gas turbines.

OEPC is also active in the promotion of friendly relations with other countries. In April 1999, we received a group of visitors from a Taiwanese power company, who were given a guided tour of our facilities and later exchanged technical information with our staff. In August of the same year, OEPC's baseball team played its second friendly match against the Taiwanese team, which helped to strengthen the friendly relations between the two companies. To further cement friendly relations between Okinawa Prefecture and South Korea, three prefectural groups that had previously promoted international exchange separately with that country were amalgamated into one "Okinawa Prefecture Japan-Korea Friendship Society," and Chairman Masaharu Minei of OEPC was elected as the new organization's first chairman.

Reinforcing Overall Group Strength

Amid the current business environment of ongoing deregulation, electric power companies are being forced to take an active stance toward the creation and fostering of new businesses. To enable the Okiden group ("Okiden" is an abbreviation of the Japanese name for Okinawa Electric Power) to utilize the management resources it has accumulated — including experienced personnel, technology, facilities, and know-how — to expand business operations in a wide range of fields, the Company amended its articles of incorporation in the term under

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Topic

Powerful Typhoon Inflicts Major Damage on Okinawa

In September 1999, a huge typhoon struck Miyako Island, Okinawa Main Island and other smaller islands in the vicinity with massive force, causing heavy rainfall. After 30 hours of high winds and torrential rain, approximately 110,000 households were without electricity as a result of the severing of power lines strung from poles. However, due to OEPC's prompt action, power was quickly restored to all affected households.

Topic

Ceremony Held to Mark Start of Construction of Kin Thermal Power Station

Preparation of the site for construction of the Kin Thermal Power Station commenced in December 1997, and in May 1999 a ceremony was held to mark the start of construction of the main building. At present, the smokestacks of the main building have been completed and the drum boilers installed, and work is proceeding on course, with the start of operation of the No.1 generator scheduled for February 2002.

review to allow the start-up of a system for nurturing venture businesses with the aim of incorporating them into the group at a later date. By these means, we aim to strengthen earnings at the group level.

We are focusing our business diversification efforts especially on the rapidly expanding field of telecommunications, including multimedia communications, and are working to build up new businesses in these areas in the conviction that they will serve as tools both to strengthen our relationships with our customers in the coming age of deregulated electric power, and to open up and exploit whole new business avenues.

At the moment, three companies within the group are involved in the telecommunications business — Okiden Joho Service, Astel Okinawa, and Okinawa Telecommunication Network. From here onward, we plan to further strengthen the cooperative relationship between OEPC and these three companies with the goal of expanding the scale of their business.

We see the reinforcing of cooperation among group member companies as an issue of urgency also from the viewpoint of strengthening management at the consolidated group level, and we will be actively working to improve the earning power of the whole Okiden group.

Contribution to Regional Society

As OEPC operates solely within Okinawa Prefecture, the smooth conduct of business would be impossible without the understanding and cooperation of the prefectural population. It is for this reason that one of the most important concepts underpinning our management policies is the necessity to work together with the local community for the good of the region. In line with this, to support the development of the prefectural economy, we extend cooperation to economic bodies such as the Center for the Revitalization of Industry in Southwestern Okinawa Prefecture (a foundation), and also take an active part in occupational training programs for local people as well as in social and cultural activities. By these means, we are working to ensure that OEPC projects a favorable, trustworthy image among the people of Okinawa Prefecture.

As part of our continuing contribution to community life, we set aside a 10-day period for activities designed to bring the public into closer contact with OEPC and foster greater understanding of our business.

During this event, which we held for the 21st time in November 1999, social gatherings were sponsored throughout the prefecture, OEPC staff engaged in public services such as free equipment inspections, sports meets were held, and many members of the public were given guided tours of our power stations and other facilities.

As part of our efforts to promote cultural activities in Okinawa, we sponsor the Okiden Sugar Hall Newcomers' Concert with the aim of discovering and helping foster promising new talents in the field of classical music. To broaden interest in science among Japanese elementary school and junior and senior high school students, as well as students at American schools, we sponsor the Exhibition of Science Works by Schoolchildren. In addition, OEPC cements its ties with the regional community by participating in festivals and other events, and through volunteer work at sports meets, notably the triathlon, which is held throughout the year.

Our Operational Base

OEPC Aims to Achieve Strong Growth in the 21st Century

Okinawa Prefecture's economy is entering a new phase as a result of the effects of the G8 Summit held in the prefecture in July 2000, on top of the various economic stimulus measures taken by both the prefectural and central governments. Okinawa is Japan's most popular resort area, but the prefecture also has good hopes of becoming a major base for the telecommunications industry under the central government's plan to make Okinawa into a "special international telecommunications zone," as well as the prefectural government's "Multimedia Island" concept.

The central government's plan to make Okinawa into a special international telecommunications zone involves placing the promotion of information technology industry at the center of economic development policy for the prefecture. Steps would be taken to lure IT companies and data centers to Okinawa with the aim of making the prefecture into an international telecommunications "hub." The fact that 40% of the undersea communications cables connecting Japan with the rest of the world first make landfall in Okinawa indicates that the prefecture already possesses the sort of infrastructure that would give it an advantage as a telecommunications hub. The Multimedia Island concept proposed by the Okinawan prefectural government links up with the national government's plan, and is focused mainly on increasing employment in IT industry companies.

In fact, Okinawa is already enjoying success in attracting call centers, which employ large numbers of staff who need only a comparatively short period of training. Companies are especially eager to set up call centers in Okinawa as the prefecture provides subsidies covering 80% of telecommunications costs.

More and more companies are setting up facilities in the Free Trade Zone on Okinawa's Main Island, including not only call centers, but also computer game equipment manufacturers and companies in IT-related businesses. For OEPC, whose development is tied to that of the region it serves, it is essential to support the growth of IT-related industries in Okinawa. At the same time, OEPC intends to strengthen its own business ventures in the telecommunications and multimedia fields, thus making a valuable contribution to the prefecture's economic development.

Board of Directors and Auditors

Masaharu Minei
Chairman

Hirokazu Nakaima
President

Sojin Toyama
Executive Vice President

Chairman:
Masaharu Minei

President:
Hirokazu Nakaima

Executive Vice President:
Sojin Toyama

Managing Directors:
Morishige Kishaba
Hiroshi Heianna
Yoshimasa Kojya

Directors:
Eizaburo Ono
Teruo Shimabukuro
Hajime Miyagi
Kazuhiro Nakada
Tsugiyoshi Toma
Yasushi Kayamoto
Shin Kadena
Yukiyasu Kinjo
Kunio Oroku

Standing Auditor:
Osamu Kawasaki

Auditor:
Choko Takamine

External Auditors:
Kenji Kudeken
Honshin Aharen

(As of June 29, 2000)

Consolidated Financial Review

Consolidated subsidiaries increased from 3 to 10 in number from a year earlier, pursuant to the change in the key determinant for consolidation from shareholder percentage interest to the ability to exercise operational and financial control over investee operations.

Business Results

During the term under review, operating revenues increased ¥5,501 million, or 4.0%, to ¥141,820 million (US$1,336,036 thousand) mainly due to the additional revenues from the newly consolidated subsidiaries, which are engaged in construction and telecommunications. Operating revenues from our power supply business, however, declined following lower electricity sales and reduced electricity rates under the Fuel Cost Adjustment System. Meanwhile, operating expenses increased ¥4,614 million, or 4.0%, to ¥120,298 million (US$1,133,286 thousand), mainly in response to the changes in consolidation. As a result, operating income increased ¥887 million, or 4.3%, to ¥21,522 million (US$202,750 thousand). Other expenses came to ¥13,916 million (US$131,100 thousand), partially due to a change in the calculation method for prior service cost, which amounted to ¥3,417 million (US$32,197 thousand). Income before income taxes and minority interest increased ¥1,160 million, or 18.0%, to ¥7,606 million (US$71,650 thousand). Net income increased a substantial ¥2,290 million to ¥4,263 million (US$40,158 thousand), reflecting the full adoption of tax effect accounting with tax adjustments amounting to ¥1,616 million (US$15,222 thousand). Consolidated earnings per share came to ¥280.95 (US$2.65), with annual dividends per share of ¥50 (US$0.47).

Operating results by business segment, before elimination of intercompany transactions

Electric power sales decreased ¥2,900 million, or 2.2%, to ¥131,571 million (US$1,239,482 thousand), and related expenses decreased ¥2,977 million, or 2.6%, to ¥111,700 million (US$1,052,287 thousand), due to reductions in personnel, fuel and depreciation expenses. Operating income increased ¥77 million, or 0.4%, to ¥19,871 million (US$187,195 thousand). Other expenses increased 41.6% to ¥15,735 million (US$148,227 thousand). Income before income taxes decreased ¥4,534 million, or 52.3% to ¥4,136 million (US$38,968 thousand). Net income decreased 43.7% to ¥2,725 million (US$25,674 thousand).

Revenues from the construction business came to ¥24,788 million (US$233,513 thousand), with related expenses of ¥23,113 million (US$217,739 thousand). Operating income for the construction business amounted to ¥1,675 million (US$115,774 thousand). The year-on-year comparison has been omitted as this business segment was newly established. Revenues from other operations increased 51.4% to ¥27,134 million (US$255,621 thousand), partially due to the consolidation of additional subsidiaries engaged in telecommunications and real estate. Related operating expenses increased ¥9,491 million, or 56.0% to ¥26,450 million (US$249,175 thousand). As a result, operating income for the segment decreased 28.9% to ¥684 million (US$6,446 thousand).

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Financial Position

Term-end total assets increased ¥48,168 million to ¥392,749 million (US$3,699,946 thousand). Property, plant and equipment increased ¥40,427 million to ¥350,601 million (US$3,302,881 thousand), mainly due to increased capital investment involving the Kin Thermal Power Station, and the consolidation of additional subsidiaries. Investments and other assets increased ¥1,622 million to ¥11,972 million (US$112,788 thousand). This increase reflects the contraction of the investment account concerning subsidiaries and affiliates from previously ¥6,462 million to ¥60 million (US$565 thousand) following the change in consolidation, and a ¥6,967 million year-on-year increase in recognized deferred tax assets of ¥8,151 million (US$76,781 thousand). Current assets increased ¥6,119 million to ¥30,176 million (US$284,277 thousand), due to a ¥2,392 million increase in notes and accounts receivable to ¥7,151 million (US$67,364 thousand) and a ¥2,958 million increase in inventories to ¥6,184 million (US$58,257 thousand).

Current liabilities increased ¥14,523 million to ¥73,273 million (US$690,279 thousand), due to a ¥6,752 million increase in notes and accounts payable and commercial paper issuance. Long-term liabilities increased ¥27,199 million to ¥255,896 million (US$2,410,705 thousand). Shareholders' equity increased ¥6,162 million to ¥62,956 million (US$593,088 thousand) due to a ¥6,162 million increase in retained earnings to ¥48,228 million (US$454,340 thousand).

Cash Flows

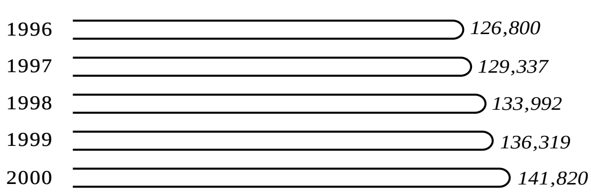
The term-end balance of cash and cash equivalents came to ¥14,036 million (US$132,228 thousand), ¥173 million (US$1,633 thousand) higher than a year earlier, thanks to the consolidation of additional group companies, without which the term-end cash balance would have been ¥2,463 million (US$23,203 thousand) lower than a year ago. This decline resulted from a ¥32,437 million (US$305,573 thousand) increase in cash provided by operating activities and a ¥24,171 million (US$227,707 thousand) increase in cash provided by financing activities, offset by ¥59,071 million (US$556,483 thousand) cash used in investing activities.

Cash provided by operating activities came to ¥32,437 million (US$305,573 thousand), which was mainly attributable to ¥7,606 million in income before income taxes and minority interest, ¥24,687 million in depreciation and amortization, ¥3,058 million in provisions for severance payment reserves, and ¥5,787 million in income taxes paid.

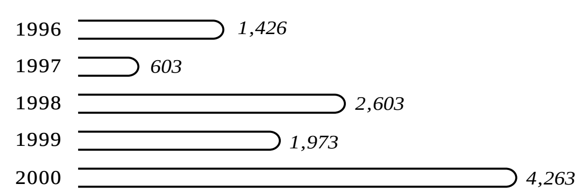
Cash used in investing activities came to ¥59,071 million (US$556,483 thousand), mainly due to plant assets acquired in the amount of ¥58,821 million in conjunction with the construction of the Kin Thermal Power Station.

Cash provided by financing activities came to ¥24,171 million (US$227,707 thousand), with ¥8,000 million in proceeds from bond issuance, ¥38,307 million in proceeds from long-term debt, ¥15,000 million in proceeds from commercial paper issuance, ¥24,638 million in repayment of long-term debt, and ¥10,000 million in repayments of matured commercial paper.

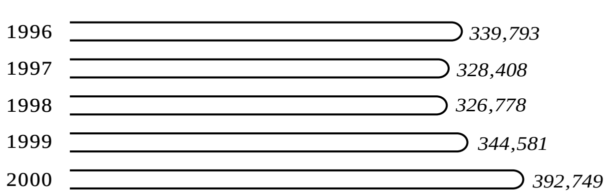
Consolidated Operating Revenues (¥ Million)



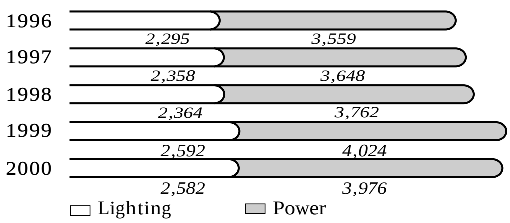
Consolidated Net Income (¥ Million)



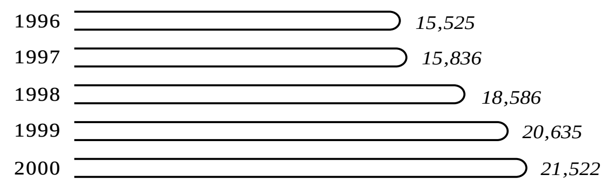
Consolidated Total Assets (¥ Million)



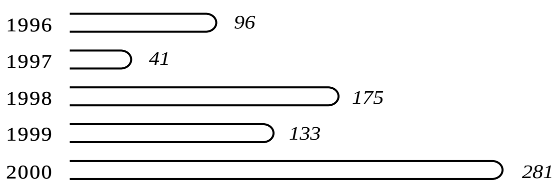
Electric Power Sales (Millions of kWh)



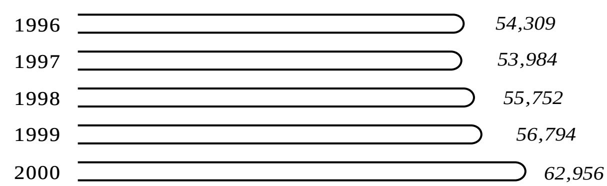
Consolidated Operating Income (¥ Million)



Consolidated Net Income per Share (¥)

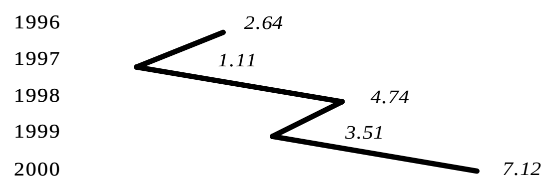


Consolidated Shareholders' Equity (¥ Million)



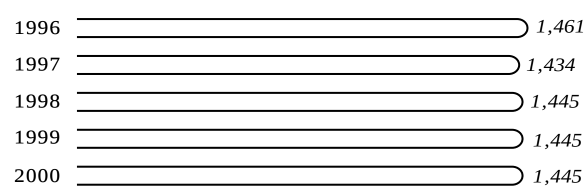
Consolidated Shareholders' Equity Ratio (%)

Consolidated Return on Equity (%)

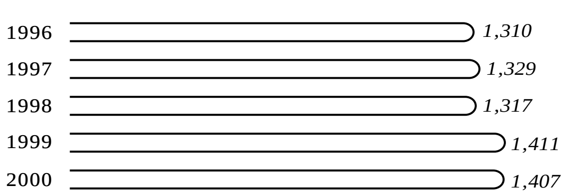


Number of Customers (Thousands)

Authorized Maximum Power Generation Capacity (Thousands of kW)



Peak Load (Thousands of kW)



Consolidated Balance Sheets

The Okinawa Electric Power Company, Incorporated and consolidated subsidiaries
March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2000	1999	**2000**
Assets			
Property, plant and equipment:			
Utility plants (Note 3)	**¥572,383**	¥565,895	**$5,392,203**
Other plant and equipment	**28,797**	5,937	**271,289**
Construction in progress	**71,017**	39,968	**669,027**
	672,197	611,800	**6,332,519**
Less:			
Contributions in aid of construction	**(21,679)**	(21,356)	**(204,230)**
Accumulated depreciation	**(299,917)**	(280,270)	**(2,825,408)**
	(321,596)	(301,626)	**(3,029,638)**
Net property, plant and equipment	**350,601**	310,174	**3,302,881**
Investments and other assets:			
Investment securities (Note 4)	**2,952**	1,520	**27,817**
Investments in and advances to non-consolidated subsidiaries and affiliates	**60**	6,462	**565**
Allowance for doubtful accounts	**(12)**	(113)	**(115)**
Deferred tax assets (Note 6)	**7,275**	1,184	**68,533**
Other assets	**1,697**	1,297	**15,988**
Total investments and other assets	**11,972**	10,350	**112,788**
Current assets:			
Cash and cash equivalents (Note 2 (d))	**14,036**	13,863	**132,228**
Short-term investment	**1,253**	2,244	**11,804**
Notes and accounts receivable	**7,151**	4,759	**67,364**
Allowance for doubtful accounts	**(105)**	(121)	**(986)**
Inventories	**6,184**	3,226	**58,257**
Deferred tax assets (Note 6)	**876**		**8,248**
Other current assets	**781**	86	**7,362**
Total current assets	**30,176**	24,057	**284,277**
Total	**¥392,749**	¥344,581	**$3,699,946**
Liabilities and shareholders' equity			
Long-term liabilities:			
Long-term debt, less current maturities (Notes 5 and 8)	**¥242,738**	¥215,110	**$2,286,743**
Liabilities for severance payments (Note 2 (f))	**11,901**	8,283	**112,119**
Other long-term liabilities	**1,257**	5,304	**11,843**
Total long-term liabilities	**255,896**	228,697	**2,410,705**
Current liabilities:			
Current maturities of long-term debt (Note 5)	**25,265**	23,749	**238,015**
Commercial paper	**5,000**		**47,103**
Short-term bank loans	**800**		**7,537**
Notes and accounts payable	**29,947**	23,195	**282,120**
Income tax payable (Note 6)	**2,588**	2,819	**24,379**
Accrued expenses	**7,350**	7,383	**69,240**
Other current liabilities	**2,323**	1,604	**21,885**
Total current liabilities	**73,273**	58,750	**690,279**
Minority interest	**624**	340	**5,874**
Commitment and contingent liabilities (Notes 7 and 8)			
Shareholders' equity (Notes 9 and 11):			
Common stock, ¥500 par value;			
Authorized — 30,000,000 shares			
Issued and outstanding — 15,172,921 shares (2000) and 14,875,413 shares (1999)	**7,586**	7,438	**71,469**
Additional paid-in capital	**7,142**	7,290	**67,279**
Retained earnings	**48,228**	42,066	**454,340**
Total shareholders' equity	**62,956**	56,794	**593,088**
Total	**¥392,749**	¥344,581	**$3,699,946**

See notes to consolidated financial statements.

Consolidated Statements of Income

The Okinawa Electric Power Company, Incorporated and consolidated subsidiaries
Years ended March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2000	1999	**2000**
Operating revenues:			
Electric	**¥131,571**	¥134,471	**$1,239,482**
Other	**10,249**	1,848	**96,554**
Total operating revenues	**141,820**	136,319	**1,336,036**
Operating expenses:			
Electric	**108,891**	113,494	**1,025,825**
Other	**11,407**	2,190	**107,461**
Total operating expenses	**120,298**	115,684	**1,133,286**
Operating income	**21,522**	20,635	**202,750**
Other expenses:			
Interest expense (Notes 3 and 5)	**9,720**	10,442	**91,570**
Equity in loss of affiliates		3,161	
Provision for prior liabilities for severance payments (Note 2 (f))	**3,417**		**32,197**
Other — net	**779**	586	**7,333**
Net other expenses	**13,916**	14,189	**131,100**
Income before income taxes and minority interest	**7,606**	6,446	**71,650**
Income taxes (Note 6):			
Current	**4,799**	4,441	**45,208**
Deferred	**(1,616)**	(22)	**(15,222)**
Total	**3,183**	4,419	**29,986**
Minority interest in net income	**160**	54	**1,506**
Net income	**¥ 4,263**	¥ 1,973	**$ 40,158**
	Yen		U.S. Dollars
Per share of common stock (Note 2 (i)):			
Net income	**¥280.95**	¥132.66	**$2.65**
Cash dividends applicable to the year	**¥ 50.00**	¥ 50.00	**$0.47**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

The Okinawa Electric Power Company, Incorporated and consolidated subsidiaries
Years ended March 31, 2000 and 1999

	Shares outstanding (Thousands)	Millions of Yen: Common stock	Additional paid-in capital	Retained earnings
Balance, April 1, 1998	14,875	¥7,438	¥7,290	¥41,024
Net income				1,973
Appropriations:				
Cash dividends				(744)
Bonuses to directors and corporate auditors				(87)
Adjustment of retained earnings for new application of equity method				(100)
Balance, March 31, 1999	14,875	7,438	7,290	42,066
Common stock split	**298**	**148**	**(148)**	
Adjustment of retained earnings for the adoption of deferred tax accounting method (Note 2 (g))				**2,583**
Adjustment of retained earnings for newly consolidated subsidiaries (Note 2 (a))				**80**
Changes in ownership due to issuance of common stock of subsidiaries				**85**
Net income				**4,263**
Appropriations:				
Cash dividends				**(751)**
Bonuses to directors and corporate auditors				**(98)**
Balance, March 31, 2000	**15,173**	**¥7,586**	**¥7,142**	**¥48,228**

	Thousands of U.S. Dollars (Note 1): Common stock	Additional paid-in capital	Retained earnings
Balance, March 31, 1999	$70,068	$68,680	$396,291
Common stock split	**1,401**	**(1,401)**	
Adjustment of retained earnings for the adoption of deferred tax accounting method (Note 2 (g))			**24,331**
Adjustment of retained earnings for newly consolidated subsidiaries (Note 2 (a))			**750**
Changes in ownership due to issuance of common stock of subsidiaries			**806**
Net income			**40,158**
Appropriations:			
Cash dividends			**(7,077)**
Bonuses to directors and corporate auditors			**(919)**
Balance, March 31, 2000	**$71,469**	**$67,279**	**$454,340**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

The Okinawa Electric Power Company, Incorporated and consolidated subsidiaries
Years ended March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2000	1999	**2000**
Operating activities:			
Income before income taxes and minority interest	**¥ 7,606**	¥ 6,446	**$ 71,650**
Adjustments for:			
Income taxes paid	**(5,787)**	(4,217)	**(54,514)**
Depreciation and amortization	**24,687**	25,340	**232,568**
Provision for (reversal of) severance payment reserve	**3,058**	(45)	**28,807**
Loss on disposal of property, plant and equipment	**1,998**	710	**18,823**
Loss on redemption of bond		243	
Equity in loss of affiliates		3,161	
Changes in operating assets and liabilities:			
Increase in notes and accounts receivable	**(643)**	(995)	**(6,060)**
(Increase) decrease in inventories	**(1,188)**	1,309	**(11,195)**
Decrease in other long-term liabilities	**(454)**		**(4,276)**
Increase in payables and accrued expenses	**1,116**	7,296	**10,517**
Decrease in interest payable	**(67)**	(174)	**(632)**
Other — net	**2,111**	1,457	**19,885**
Total adjustments	**24,831**	34,085	**233,923**
Net cash provided by operating activities	**32,437**	40,531	**305,573**
Investing activities:			
Purchase of property, plant and equipment	**(58,821)**	(37,817)	**(554,133)**
Proceeds from sale of property, plant and equipment		459	
Purchase of investment securities	**(1,395)**	(65)	**(13,140)**
Increase in investments in and advances to unconsolidated subsidiaries and affiliates		(5,762)	
Purchase of short-term investment	**(2,043)**	(2,864)	**(19,246)**
Proceeds from maturity of short-term investment	**3,094**	2,021	**29,150**
Other — net	**94**		**886**
Net cash used in investing activities	**(59,071)**	(44,028)	**(556,483)**
Financing activities:			
Proceeds from issuance of bonds	**8,000**		**75,365**
Payment for redemption of bonds		(1,243)	
Proceeds from long-term debt	**38,307**	28,604	**360,876**
Repayments of long-term debt	**(24,638)**	(22,599)	**(232,104)**
Proceeds from short-term bank loans	**4,100**		**38,625**
Repayments of short-term bank loans	**(5,677)**		**(53,481)**
Proceeds from issuance of commercial paper	**15,000**		**141,310**
Repayments on maturity of commercial paper	**(10,000)**		**(94,206)**
Cash dividends paid	**(751)**	(744)	**(7,077)**
Other — net	**(170)**		**(1,601)**
Net cash provided by financing activities	**24,171**	4,018	**227,707**
Net (decrease) increase in cash and cash equivalents	**(2,463)**	521	**(23,203)**
Cash and cash equivalents of newly consolidated subsidiaries, beginning of year	**2,636**		**24,836**
Cash and cash equivalents, beginning of year	**13,863**	13,342	**130,595**
Cash and cash equivalents, end of year	**¥14,036**	¥13,863	**$132,228**

See notes to consolidated financial statements.

The Okinawa Electric Power Company, Incorporated and consolidated subsidiaries
Years ended March 31, 2000 and 1999

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law, the Electric Utility Law and related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, result of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. The Okinawa Electric Power Company, Incorporated (the “Company”) and its consolidated subsidiaries (together, the “Companies” or “Group”) 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.

Effective April 1, 1999, consolidated statements of cash flows are required to be prepared under Japanese accounting standards, and such statements for the years ended March 31, 2000 and 1999 are presented herein.

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.

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 ¥106.15 to $1, the approximate rate of exchange at March 31, 2000. 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.

Certain reclassifications have been made to the 1999 consolidated financial statements to conform to the presentations and classifications used in 2000.

2. Summary of significant accounting policies

(a) Consolidation

The consolidated financial statements for the year ended March 31, 2000 include the accounts of the Company and its ten significant (three for the year ended March 31, 1999) subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

Effective April 1, 1999, the Group changed its consolidation scope from the application of the ownership concept to the control concept. Under the control concept, those companies in which the Parent, directly or indirectly, is able to exercise control over operations are to be fully consolidated. Three subsidiaries previously accounted for by the equity method have been consolidated in the consolidated financial statements.

The consolidated financial statements for the year ended March 31, 1999 have not been retroactively adjusted. The change of retained earnings arising from the change in the consolidation scope is recognized as “Adjustment of retained earnings for newly consolidated subsidiaries” in the Consolidated Statements of Shareholders’ Equity for the year ended March 31, 2000.

Effective April 1, 1999, the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary and affiliate company at the date of acquisition is amortized over five years by the straight-line method.

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 such unconsolidated subsidiary and an affiliate are stated at cost.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost. The cost of utility plants includes certain interest costs incurred on borrowed funds during the construction period of new plant facilities. Contributions in aid of construction are deducted from the cost of the related assets. Such accounting treatment is required by the regulations described in Note 1. Depreciation of property, plant and equipment 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. Investment securities are written down to an appropriate value if the investments have been permanently impaired.

(d) Cash and cash equivalents

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

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

The balance of cash and cash equivalents in 1999 was changed from ¥16,107 million to ¥13,863 million to conform with the presentation in 2000.

(e) Inventories

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

(f) Severance payments and pension plan

The Companies have unfunded retirement plans for all of their employees. The annual provisions for the employees’ severance payments are calculated to state the present value of the amount that would be required if all employees voluntarily terminated their services with the Companies at each balance sheet date.

In the fiscal year ended March 31, 2000, the Companies amended the rate of present value for calculating the annual provisions for employees’ severance payments, from 40% to 55% which is based on the average remaining service period of employees and the discount rate considering the recent condition of lower interest rates. The effect of this change was to decrease income before income taxes and minority interest for the year ended March 31, 2000 by ¥3,417 million ($32,197 thousand).

Additionally, the Company and most of the consolidated subsidiaries have non-contributory funded defined benefit pension plans covering substantially all of their employees. The amounts contributed to the funds, except for prior service costs are charged to income when paid. Prior service costs are accrued when incurred.

Total provisions for liabilities for severance payments and pension costs charged to income were ¥5,648 million ($53,206 thousand) and ¥3,405 million for the years ended March 31, 2000 and 1999, respectively.

(g) Income taxes

Prior to April 1, 1999, income taxes were provided at the amount currently payable. Deferred income taxes arising from temporary differences in recognizing certain assets and liabilities between financial and tax reporting purposes were not provided, except for those applicable to unrealized profits arising from the elimination of intercompany transactions in consolidation.

Effective April 1, 1999, the Group adopted the new accounting standard for interperiod allocation of income taxes based on the asset and liability method. The cumulative effect of the application of interperiod tax allocation in prior years in the amount of ¥2,583 million ($24,331 thousand) is included as an adjustment to retained earnings as of April 1, 1999. Such cumulative effect is calculated by applying the income tax rate stipulated by enacted tax laws as of April 1, 1999.

Deferred tax assets and liabilities are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

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

Stock and bond issue costs and bond discount charges are charged to income when 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, retroactively adjusted for stock splits. The average number of common shares used in the computation was 15,172,921 shares for 2000 and 14,875,413 shares for 1999.

(j) Leases

All leases are accounted for as operating leases. Under a 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.

3. Utility plants

Utility plants, at cost, as of March 31, 2000 and 1999, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
Thermal power generating facilities	**¥261,567**	¥260,579	**$2,464,121**
Transmission facilities	**97,781**	95,395	**921,157**
Transformation facilities	**75,570**	74,190	**711,915**
Distribution facilities	**113,557**	113,340	**1,069,782**
General facilities	**23,908**	22,391	**225,228**
Total	**¥572,383**	¥565,895	**$5,392,203**

Interest costs capitalized for the years ended March 31, 2000 and 1999 was ¥229 million ($2,161 thousand) and ¥73 million, respectively.

4. Investment securities

The excess of market value over the carrying amount of quoted securities was ¥722 million ($6,800 thousand) and ¥155 million at March 31, 2000 and 1999, respectively.

5. Long-term debt

Long-term debt at March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
1.91% secured bond, due 2009	**¥ 8,000**		**$ 75,365**
Secured loans from Okinawa Development Finance Public Corporation, 1.10% to 6.30% in 2000 and 1.10% to 6.30% in 1999, due serially through 2014	**238,863**	¥230,850	**2,250,238**
Unsecured loans from banks, 0.68% to 7.50% in 2000 and 2.50% to 7.50% in 1999, due serially through 2015	**19,501**	6,125	**183,712**
Secured debt with a leasing company, Semi-annual payment of ¥144 million ($1,355 thousand) including interest, maturing in 2005 and 2008	**1,639**	1,884	**15,443**
Total	**268,003**	238,859	**2,524,758**
Less current maturity	**(25,265)**	(23,749)	**(238,015)**
Long-term debt, less current maturity	**¥242,738**	¥215,110	**$2,286,743**

At March 31, 2000, bond 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, 2000 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2001	¥ 25,265	$ 238,015
2002	27,246	256,670
2003	31,014	292,175
2004	29,105	274,189
2005	29,510	278,000
2006 and thereafter	125,863	1,185,709
Total	¥268,003	$2,524,758

6. Income taxes

The Companies are subject to several taxes based on income. For the years ended March 31, 2000 and 1999, the aggregate normal effective statutory tax rates approximated 35% and 41%.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2000 are as follows:

As of March 31, 2000	Millions of Yen	Thousands of U.S. Dollars
Deferred tax assets:		
Unrealized profit	¥ 4,138	$38,983
Tax loss carryforward	2,373	22,355
Pension and severance costs	1,722	16,219
Other	2,322	21,871
Sub-total	10,555	99,428
Less valuation allowance	(2,373)	(22,355)
Total deferred tax assets	8,182	77,073
Deferred tax liabilities	(31)	(292)
Net deferred tax assets	¥ 8,151	$76,781

Reconciliation between the normal effective statutory tax rate for the year ended March 31, 2000 and the actual effective tax rate reflected in the accompanying consolidated statement of income is as follows:

Year ended March 31, 2000	
Normal effective statutory tax rate	35.0%
Tax benefits not recognized on operating losses of subsidiaries	4.0
Expenses not deductible for income tax purpose	2.5
Tax credit	(2.4)
Higher income tax rates applicable to income in subsidiaries	0.9
Other — net	1.9
Actual effective tax rate	41.9%

The actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 1999 differed from the normal statutory tax rate, primarily due to the effect of permanently non-deductible expenses and temporary differences in the recognition of the assets and liability items for tax and financial reporting purposes.

7. Leases

The Companies lease certain automobiles and office equipment. Total lease payments under the above leases for the years ended March 31, 2000 and 1999 were ¥435 million ($4,098 thousand) and ¥336 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance leases, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on a "as if capitalized" basis for the year ended March 31, 2000 and 1999 were as follows:

	Millions of Yen		
As of March 31, 2000	General facilities	Other	Total
Acquisition cost	**¥1,483**	**¥637**	**¥2,120**
Accumulated depreciation	**(1,090)**	**(269)**	**(1,359)**
Net leased property	**¥ 393**	**¥368**	**¥ 761**

	Thousands of U.S. Dollars		
As of March 31, 2000	General facilities	Other	Total
Acquisition cost	**$13,971**	**$5,998**	**$19,969**
Accumulated depreciation	**(10,271)**	**(2,530)**	**(12,801)**
Net leased property	**$ 3,700**	**$3,468**	**$ 7,168**

As of March 31, 1999	Millions of Yen General facilities	Other	Total
Acquisition cost	¥1,465	¥164	¥1,629
Accumulated depreciation	(795)	(63)	(858)
Net leased property	¥ 670	¥101	¥ 771

Obligations under finance leases as of March 31, 2000 and 1999:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
Due within one year	**¥463**	¥336	**$4,366**
Due after one year	**298**	435	**2,803**
Total	**¥761**	¥771	**$7,169**

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

Depreciation expense, which is not reflected in the accompanying consolidated statements of income, computed by the straight-line method over the remaining lease term was ¥435 million ($4,098 thousand) and ¥336 million for the years ended March 31, 2000 and 1999, respectively.

The Companies are also lessor of certain automobiles and office equipment. Total lease income from the above leases for the years ended March 31, 2000 and 1999 were ¥67 million ($636 thousand) and ¥163 million, respectively.

At March 31, 2000 and 1999, leased property consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
Other equipment:			
Acquisition cost	**¥251**	¥500	**$2,369**
Accumulated depreciation	**(167)**	(324)	**(1,577)**
Net leased property	**¥ 84**	¥176	**$ 792**

At March 31, 2000 and 1999, total lease payments to be received from the above leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
Due within one year	**¥ 54**	¥132	**$ 511**
Due after one year	**101**	206	**954**
Total	**¥155**	¥338	**$1,465**

8. Contingent liability

Under the debt assumption agreements, the Company was contingently liable for the redemption of bonds transferred to banks in the amount of ¥2,000 million ($18,841 thousand) as of March 31, 2000.

9. Shareholders' equity

The Code requires at least 50% of the issue price of new shares, with a minimum of the par value, 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 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 amount which is included in retained earnings, totals ¥821 million ($7,735 thousand) and ¥738 million as of March 31, 2000 and 1999, respectively, and 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.

On May 25, 1999, the Company made a stock split by way of a free share distribution at the rate of 0.02 shares for each outstanding share and 297,508 shares were issued to shareholders of record on March 31, 1999. The aggregate par value of the shares issued was transferred from additional paid-in capital to stated capital.

The Company may repurchase outstanding shares to cancel them by resolution of the Board of Directors subject to, among other thing; the maximum number of shares is within 10% of the outstanding shares. In a repurchase of shares for cancellation, the aggregate purchase price of the shares may not exceed the distributable retained earnings.

Under the amended Article of Incorporation of the Company, the Company may repurchase its outstanding shares up to 1,500,000 shares to cancel them by resolution of the Board of Directors.

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, 2000, retained earnings recorded on the Company's books was ¥47,888 million ($451,134 thousand) which is available for future dividends subject to the approval of the shareholders and legal reserve requirements.

10. Segment information

Information about operations in different industry segments of the Companies for the years ended March 31, 2000 and 1999 is as follows:

	Millions of Yen					Thousands of U.S. Dollars				
2000	Electric	Construction	Other	Elimination	Consolidated	Electric	Construction	Other	Elimination	Consolidated
Sales to customers	**¥131,571**	**¥ 4,642**	**¥ 5,607**		**¥141,820**	**$1,239,482**	**$ 43,731**	**$ 52,823**		**$1,336,036**
Intersegment sales		**20,146**	**21,527**	**¥(41,673)**			**189,782**	**202,798**	**$(392,580)**	
Total operating revenues	**131,571**	**24,788**	**27,134**	**(41,673)**	**141,820**	**1,239,482**	**233,513**	**255,621**	**(392,580)**	**1,336,036**
Operating expenses	**111,700**	**23,113**	**26,450**	**(40,965)**	**120,298**	**1,052,287**	**217,739**	**249,175**	**(385,915)**	**1,133,286**
Operating income	**¥ 19,871**	**¥ 1,675**	**¥ 684**	**¥ (708)**	**¥ 21,522**	**$ 187,195**	**$ 15,774**	**$ 6,446**	**$ (6,665)**	**$ 202,750**
Total assets	**¥368,500**	**¥12,871**	**¥31,075**	**¥(19,697)**	**¥392,749**	**$3,471,504**	**$121,253**	**$292,749**	**$(185,560)**	**$3,699,946**
Depreciation and amortization	**23,872**	**77**	**1,627**	**(889)**	**24,687**	**224,891**	**730**	**15,323**	**(8,376)**	**232,568**
Capital investments	**54,600**	**29**	**6,130**	**(1,934)**	**58,825**	**514,370**	**277**	**57,752**	**(18,228)**	**554,171**

1999	Millions of Yen Electric	Other	Elimination	Consolidated
Sales to customers	¥134,471	¥ 1,848		¥136,319
Intersegment sales		16,072	¥(16,072)	
Total operating revenues	134,471	17,920	(16,072)	136,319
Operating expenses	114,677	16,958	(15,951)	115,684
Operating income	¥ 19,794	¥ 962	¥ (121)	¥ 20,635
Total assets	¥338,280	¥12,310	¥ (6,009)	¥344,581
Depreciation and amortization	25,275	320	(307)	25,288
Capital investments	37,836	455	(361)	37,930

Notes: 1. "Other" industry segment consisted of sales and maintenance services of electric appliances and others. Under the guidance of the regulatory authority, the Company is only allowed to invest in industry segments that are related to the electric segment.
2. The Companies do not have foreign operations.
3. No sales to foreign customers were made during the years ended March 31, 2000 and 1999.

11. Subsequent event

The following appropriations of retained earnings at March 31, 2000 were approved at the shareholders' meeting held on June 29, 2000:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥25 (24¢) per share	¥379	$3,573
Bonuses to directors and corporate auditors	72	676

Independent Auditors' Report

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Independent Auditors' Report

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, 2000 and 1999, 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, procedures and practices generally accepted and applied 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, 2000 and 1999, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Notes 2 (a) and 2 (g), effective April 1, 1999, the consolidated financial statements have been prepared in accordance with new accounting standards for consolidated financial statements and interperiod allocation of income taxes.

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 29, 2000

Non-Consolidated Balance Sheets

The Okinawa Electric Power Company, Incorporated
March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2000	1999	**2000**
Assets			
Property, plant and equipment (Note 3):			
Utility plants and equipment	**¥590,314**	¥572,193	**$5,561,129**
Construction in progress (Note 10)	**71,817**	39,993	**676,561**
	662,131	612,186	**6,237,690**
Less:			
Contributions in aid of construction	**(21,679)**	(21,356)	**(204,230)**
Accumulated depreciation	**(300,626)**	(279,779)	**(2,832,085)**
	(322,305)	(301,135)	**(3,036,315)**
Net utility plants	**339,826**	311,051	**3,201,375**
Investments and other assets:			
Investment securities (Note 4)	**2,680**	1,420	**25,245**
Investments in and advances to subsidiaries and affiliates	**7,643**	4,099	**72,005**
Allowance for doubtful accounts	**(3,000)**	(78)	**(28,262)**
Deferred tax assets (Note 6)	**3,833**		**36,109**
Other assets	**809**	984	**7,626**
Total investments and other assets	**11,965**	6,425	**112,723**
Current assets:			
Cash and cash equivalents (Note 2 (d))	**8,546**	12,043	**80,505**
Short-term investment	**1,168**	2,134	**11,003**
Accounts receivable	**3,345**	3,881	**31,514**
Allowance for doubtful accounts	**(94)**	(76)	**(883)**
Fuel and supplies inventories	**3,718**	2,782	**35,027**
Deferred tax assets (Note 6)	**707**		**6,659**
Other current assets	**51**	40	**477**
Total current assets	**17,441**	20,804	**164,302**
Total	**¥369,232**	¥338,280	**$3,478,400**
Liabilities and shareholders' equity			
Long-term liabilities:			
Long-term debt, less current maturities (Notes 5 and 8)	**¥230,518**	¥212,906	**$2,171,628**
Liabilities for severance payments (Note 2 (f))	**10,343**	7,858	**97,436**
Other long-term liabilities	**646**	1,100	**6,087**
Total long-term liabilities	**241,507**	221,864	**2,275,151**
Current liabilities:			
Current maturities of long-term debt (Note 5)	**24,388**	23,499	**229,746**
Commercial paper	**5,000**		**47,103**
Accounts payable (Note 10)	**22,751**	18,529	**214,325**
Income tax payable (Note 6)	**1,503**	2,388	**14,164**
Accrued expenses (Note 10)	**9,026**	9,978	**85,035**
Other current liabilities	**1,620**	2,864	**15,259**
Total current liabilities	**64,288**	57,258	**605,632**
Commitment and contingent liabilities (Notes 7 and 8)			
Shareholders' equity (Notes 9 and 11):			
Common stock, ¥500 par value;			
Authorized — 30,000,000 shares			
Issued and outstanding — 15,172,921 shares (2000) and 14,875,413 shares (1999)	**7,586**	7,438	**71,469**
Additional paid-in capital	**7,142**	7,290	**67,279**
Legal reserve	**821**	738	**7,735**
Retained earnings	**47,888**	43,692	**451,134**
Total shareholders' equity	**63,437**	59,158	**597,617**
Total	**¥369,232**	¥338,280	**$3,478,400**

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Income

The Okinawa Electric Power Company, Incorporated
Years ended March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2000	1999	**2000**
Operating revenues	**¥131,571**	¥134,471	**$1,239,482**
Operating expenses (Notes 7 and 10):			
Fuel	**17,983**	18,989	**169,412**
Purchased power	**13,346**	14,381	**125,730**
Depreciation	**23,862**	25,275	**224,790**
Repair and maintenance	**17,252**	16,920	**162,525**
Taxes other than income taxes	**6,013**	6,172	**56,649**
Other	**33,244**	32,940	**313,181**
Total operating expenses	**111,700**	114,677	**1,052,287**
Operating income	**19,871**	19,794	**187,195**
Other expenses:			
Interest expense (Notes 3 and 5)	**9,427**	10,435	**88,803**
Provision for prior liabilities for severance payments (Note 2 (f))	**2,947**		**27,762**
Provision for doubtful accounts	**2,922**		**27,530**
Other — net	**439**	689	**4,132**
Net other expenses	**15,735**	11,124	**148,227**
Income before income taxes	**4,136**	8,670	**38,968**
Income taxes (Note 6):			
Current	**3,574**	3,826	**33,668**
Deferred	**(2,163)**		**(20,374)**
Total	**1,411**	3,826	**13,294**
Net income	**¥ 2,725**	¥ 4,844	**$ 25,674**
	Yen		U.S. Dollars
Per share of common stock (Note 2 (i)):			
Net income	**¥179.61**	¥325.61	**$1.69**
Cash dividends applicable to the year	**¥ 50.00**	¥ 50.00	**$0.47**

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Shareholders' Equity

The Okinawa Electric Power Company, Incorporated
Years ended March 31, 2000 and 1999

	Shares outstanding (Thousands)	Millions of Yen: Common stock	Additional paid-in capital	Legal reserve	Retained earnings
Balance, April 1, 1998	14,875	¥7,438	¥7,290	¥656	¥39,748
Net income					4,844
Appropriations:					
Cash dividends					(744)
Transfer to legal reserve				82	(82)
Bonuses to directors and corporate auditors					(74)
Balance, March 31, 1999	14,875	7,438	7,290	738	43,692
Common stock split	**298**	**148**	**(148)**		
Adjustment of retained earnings for the adoption of deferred tax accounting method (Note 2 (g))					**2,377**
Net income					**2,725**
Appropriations:					
Cash dividends					**(751)**
Transfer to legal reserve				**83**	**(83)**
Bonuses to directors and corporate auditors					**(72)**
Balance, March 31, 2000	**15,173**	**¥7,586**	**¥7,142**	**¥821**	**¥47,888**

	Thousands of U.S. Dollars (Note 1): Common stock	Additional paid-in capital	Legal reserve	Retained earnings
Balance, March 31, 1999	$70,068	$68,680	$6,954	$411,605
Common stock split	**1,401**	**(1,401)**		
Adjustment of retained earnings for the adoption of deferred tax accounting method (Note 2 (g))				**22,392**
Net income				**25,674**
Appropriations:				
Cash dividends				**(7,078)**
Transfer to legal reserve			**781**	**(781)**
Bonuses to directors and corporate auditors				**(678)**
Balance, March 31, 2000	**$71,469**	**$67,279**	**$7,735**	**$451,134**

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Cash Flows

The Okinawa Electric Power Company, Incorporated
Years ended March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2000	1999	**2000**
Operating activities:			
Income before income taxes	**¥ 4,136**	¥ 8,670	**$ 38,968**
Adjustments for:			
Income taxes paid	**(4,712)**	(3,642)	**(44,390)**
Depreciation and amortization	**23,872**	25,328	**224,891**
Provision for doubtful accounts	**2,941**	58	**27,701**
Provision for (reversal of) severance payment reserve	**2,485**	(107)	**23,404**
Loss on disposal of property, plant and equipment	**785**	709	**7,394**
Loss on redemption of bonds		243	
Changes in operating assets and liabilities:			
Increase in accounts receivable	**(105)**	(687)	**(986)**
(Increase) decrease in inventories	**(645)**	997	**(6,072)**
Decrease in other long-term liabilities	**(454)**		**(4,276)**
Increase in payables and accrued expenses	**577**	7,660	**5,434**
Decrease in interest payable	**(68)**	(174)	**(637)**
Other — net	**2,173**	1,450	**20,469**
Total adjustments	**26,849**	31,835	**252,932**
Net cash provided by operating activities	**30,985**	40,505	**291,900**
Investing activities:			
Purchase of utility plants	**(54,205)**	(37,565)	**(510,646)**
Proceeds from sale of utility plants		433	
Purchase of investment securities	**(1,285)**	(60)	**(12,105)**
Increase in investments in and advances to subsidiaries and affiliates	**(2,907)**	(3,110)	**(27,387)**
Purchase of short-term investment	**(1,988)**	(2,854)	**(18,728)**
Proceeds from maturity of short-term investment	**2,954**	1,941	**27,832**
Other — net	**62**		**578**
Net cash used in investing activities	**(57,369)**	(41,215)	**(540,456)**
Financing activities:			
Proceeds from issuance of bonds	**8,000**		**75,365**
Payment for redemption of bonds		(1,243)	
Proceeds from long-term debt	**34,000**	26,020	**320,301**
Repayments of long-term debt	**(23,499)**	(22,453)	**(221,372)**
Proceeds from short-term bank loans	**4,864**		**45,826**
Repayments of short-term bank loans	**(4,722)**		**(44,488)**
Proceeds from issuance of commercial paper	**15,000**		**141,309**
Repayments on maturity of commercial paper	**(10,000)**		**(94,206)**
Cash dividends paid	**(756)**	(744)	**(7,128)**
Net cash provided by financing activities	**22,887**	1,580	**215,607**
Net (decrease) increase in cash and cash equivalents	**(3,497)**	870	**(32,949)**
Cash and cash equivalents, beginning of year	**12,043**	11,173	**113,454**
Cash and cash equivalents, end of year	**¥ 8,546**	¥12,043	**$ 80,505**

See notes to non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements

The Okinawa Electric Power Company, Incorporated
Years ended March 31, 2000 and 1999

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 and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The non-consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing these non-consolidated financial statements, certain reclassifications and rearrangements have been made to the Company's financial statements issued domestically in order to present them in a form, which is more familiar to readers outside Japan. The non-consolidated statements of cash flows are not required as parts of the basic financial statements in Japan, but are presented herein as additional information. Effective April 1, 1999, the Company adopted the new accounting standards for cash flows, which differed from those applied up to the year ended March 31, 1999; accordingly, the non-consolidated statement of cash flows for the year ended March 31, 1999 was restated to be in conformity with the new standards.

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 ¥106.15 to $1, the approximate rate of exchange at March 31, 2000. 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 are stated at cost.

(b) Utility plants

Utility plants are stated at the cost of construction, which includes interest costs incurred on borrowed funds during the construction period. Contributions in aid of construction are deducted from the cost of the related assets. Such accounting treatments are required by the regulations described in Note 1. Depreciation of utility plants 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. Investment securities are written down to an appropriate value if the investments have been permanently impaired.

(d) Cash and cash equivalents

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

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

The balance of cash and cash equivalents in 1999 was changed from ¥14,177 million to ¥12,043 million to conform with the presentation in 2000.

(e) Fuel and supplies inventories

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

(f) Severance payments and pension plan

The Company has an unfunded retirement plan for all employees. The annual provisions for the employees' severance payments are calculated to state the present value of the amount that would be required if all employees voluntarily terminated their services with the Company at each balance sheet date.

In the fiscal year ended March 31, 2000, the Company amended the rate of present value for calculating the annual provisions for employees' severance payments from 40% to 55% which is based on the average remaining service period of employees and the discount rate considering the recent condition of lower interest rates. The effect of this change was to decrease income before income taxes for the year ended March 31, 2000 by ¥2,947 million ($27,762 thousand).

The Company also has a non-contributory funded defined benefit pension plan covering most of its employees. The amounts contributed to the fund, except for prior service costs are charged to income when paid. Prior service costs are accrued when incurred.

Total provisions for liabilities for severance payments and pension costs charged to income were ¥4,899 million ($46,153 thousand) and ¥3,295 million for the years ended March 31, 2000 and 1999, respectively.

(g) Income taxes

Prior to April 1, 1999, income taxes were provided at the amount currently payable. Deferred income taxes arising from temporary differences in recognizing certain assets and liabilities between financial and tax reporting purposes were not provided.

Effective April 1, 1999, the Company adopted the new accounting standard for interperiod allocation of income taxes based on the asset and liability method. The cumulative effect of the application of interperiod tax allocation in prior years in the amount of ¥2,377 million ($22,392 thousand) is included as an adjustment to retained earnings as of April 1, 1999. Such cumulative effect is calculated by applying the income tax rate stipulated by enacted laws as of April 1, 1999.

Deferred tax assets and liabilities are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

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

Stock and bond issue costs and bond discount charges are charged to income when 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, retroactively adjusted for stock splits. The average number of common shares used in the computation was 15,172,921 shares for 2000 and 14,875,413 shares for 1999.

(j) Leases

All leases are accounted for as operating leases. Under the 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.

3. Utility plants

The major classes of utility plants are as follows:

	Millions of Yen			
At March 31, 2000	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power generating facilities	**¥264,148**	**¥(17,122)**	**¥(159,758)**	**¥ 87,268**
Transmission facilities	**102,073**	**(2,182)**	**(43,463)**	**56,428**
Transformation facilities	**78,102**	**(332)**	**(38,874)**	**38,896**
Distribution facilities	**118,522**	**(2,020)**	**(49,439)**	**67,063**
General facilities	**27,469**	**(23)**	**(9,092)**	**18,354**
Construction in progress	**71,817**	**—**	**—**	**71,817**
Total	**¥662,131**	**¥(21,679)**	**¥(300,626)**	**¥339,826**

At March 31, 2000	Thousands of U.S. Dollars Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power generating facilities	**$2,488,441**	**$(161,297)**	**$(1,505,016)**	**$ 822,128**
Transmission facilities	**961,593**	**(20,557)**	**(409,447)**	**531,589**
Transformation facilities	**735,769**	**(3,126)**	**(366,222)**	**366,421**
Distribution facilities	**1,116,552**	**(19,030)**	**(465,748)**	**631,774**
General facilities	**258,774**	**(220)**	**(85,652)**	**172,902**
Construction in progress	**676,561**	**—**	**—**	**676,561**
Total	**$6,237,690**	**$(204,230)**	**$(2,832,085)**	**$3,201,375**

At March 31, 1999	Millions of Yen Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power generating facilities	¥262,748	¥(17,121)	¥(148,548)	¥ 97,079
Transmission facilities	95,874	(2,046)	(39,544)	54,284
Transformation facilities	75,582	(303)	(36,296)	38,983
Distribution facilities	113,882	(1,873)	(46,884)	65,125
General facilities	24,107	(13)	(8,507)	15,587
Construction in progress	39,993			39,993
Total	¥612,186	¥(21,356)	¥(279,779)	¥311,051

Interest costs capitalized for the years ended March 31, 2000 and 1999 were ¥229 million ($2,161 thousand) and ¥73 million, respectively.

4. Investment securities

The excess of market value over the carrying amount of quoted securities was ¥733 million ($6,909 thousand) and ¥158 million at March 31, 2000 and 1999, respectively.

5. Long-term debt

Long-term debt at March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
1.91% secured bond, due 2009	**¥ 8,000**	¥ —	**$ 75,365**
Secured loans from Okinawa Development Finance Public Corporation, 1.10% to 6.30% in 2000 and 1.10% to 6.30% in 1999, due serially through 2014	**235,074**	230,850	**2,214,544**
Unsecured loans from banks, 1.65% to 7.50% in 2000 and 2.50% to 7.50% in 1999, due serially through 2014	**11,832**	5,555	**111,465**
Total	**254,906**	236,405	**2,401,374**
Less current maturity	**(24,388)**	(23,499)	**(229,746)**
Long-term debt, less current maturity	**¥230,518**	¥ 212,906	**$2,171,628**

At March 31, 2000, bond and long-term debt with the Okinawa Development Finance Public Corporation were collateralized by all of the Company's available assets.

Maturity of long-term debt outstanding at March 31, 2000 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2001	¥ 24,388	$ 229,746
2002	26,300	247,764
2003	29,828	281,001
2004	27,870	262,556
2005	28,223	265,877
2006 and thereafter	118,297	1,114,430
Total	¥254,906	$2,401,374

6. Income taxes

The Company is subject to national corporate tax and local inhabitant taxes based on income with aggregate, normal effective statutory tax rates of approximately 35% and 41% for the years ended March 31, 2000 and 1999, respectively. The tax effects of significant temporary differences which resulted in deferred tax assets at March 31, 2000 are as follows:

March 31, 2000	Millions of Yen	Thousands of U.S. Dollars
Deferred tax assets:		
Allowance for doubtful accounts	¥ 981	$ 9,240
Pension and severance costs	1,448	13,641
Other assets	901	8,486
Other	1,210	11,401
Total	¥4,540	$42,768

The actual effective tax rate reflected in the accompanying non-consolidated statement of income for the year ended March 31, 1999 differed from the normal statutory tax rate, primarily due to such items as permanently non-deductible expenses and non-recognition of tax effects of temporary differences between tax and financial reporting.

7. Leases

The Company leases certain automobiles and office equipment. Total lease payments under above leases for the years ended March 31, 2000 and 1999 were ¥445 million ($4,193 thousand) and ¥384 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance leases, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on a "as if capitalized" basis for the years ended March 31, 2000 and 1999 were as follows:

As of March 31, 2000	Millions of Yen General facilities	Other	Total
Acquisition cost	**¥1,974**	**¥185**	**¥2,159**
Accumulated depreciation	**(1,221)**	**(113)**	**(1,334)**
Net leased property	**¥ 753**	**¥ 72**	**¥ 825**

As of March 31, 2000	Thousands of U.S. Dollars General facilities	Other	Total
Acquisition cost	**$18,593**	**$1,747**	**$20,340**
Accumulated depreciation	**(11,504)**	**(1,065)**	**(12,569)**
Net leased property	**$ 7,089**	**$ 682**	**$ 7,771**

As of March 31, 1999	Millions of Yen General facilities	Other	Total
Acquisition cost	¥1,603	¥217	¥1,820
Accumulated depreciation	(892)	(108)	(1,000)
Net leased property	¥ 711	¥109	¥ 820

Obligations under finance leases as of March 31, 2000 and 1999:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
Due within one year	**¥443**	¥375	**$4,177**
Due after one year	**382**	445	**3,594**
Total	**¥825**	¥820	**$7,771**

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

Depreciation expense, which is not reflected in the accompanying non-consolidated statements of income, computed by the straight-line method over the remaining lease term was ¥445 million ($4,193 thousand) and ¥384 million for the years ended March 31, 2000 and 1999, respectively.

8. Contingent liabilities

At March 31, 2000, the Company was contingently liable as a guarantor for loans of a subsidiary in the amount of ¥3,424 million ($32,256 thousand).

Under the debt assumption agreements, the Company was contingently liable for the redemption of bonds transferred to banks in the amount of ¥2,000 million ($18,841 thousand) as of March 31, 2000.

9. Shareholders' equity

The Code requires at least 50% of the issue price of new shares, with a minimum of the par value 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 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 to 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 the 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 cannot be less than ¥500.

On May 25, 1999, the Company made a stock split by way of a free share distribution at the rate of 0.02 shares for each outstanding share and 297,508 shares were issued to shareholders of record on March 31, 1999. The aggregate par value of the shares issued was transferred from additional paid-in capital to stated capital.

The Company may repurchase outstanding shares to cancel them by resolution of the Board of Directors subject to, among other thing; the maximum number of shares is within 10% of the outstanding shares. In a repurchase of shares for cancellation, the aggregate purchase price of the shares may not exceed the distributable retained earnings.

Under the amended Article of Incorporation of the Company, the Company may repurchase its outstanding shares up to 1,500,000 shares to cancel them by resolution of the Board of Directors.

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, 2000 and 1999:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
Transactions:			
Construction cost and facilities	**¥17,000**	¥17,672	**$160,151**
Repair and other operating expenses	**20,288**	14,986	**191,124**
Balance of accounts:			
Accounts payable	**¥ 4,143**	¥ 3,717	**$ 39,027**
Accrued expenses	**3,813**	4,319	**35,918**

11. Subsequent event

The following appropriations of retained earnings at March 31, 2000 were approved at the shareholders' meeting held on June 29, 2000:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥25 (24¢) per share	¥379	$3,573
Bonuses to directors and corporate auditors	72	676
Transfer to legal reserve	46	433

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Deloitte
Touche
Tohmatsu

Independent Auditors' Report

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, 2000 and 1999, 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, procedures and practices generally accepted and applied 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 to above present fairly the financial position of The Okinawa Electric Power Company, Incorporated as of March 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

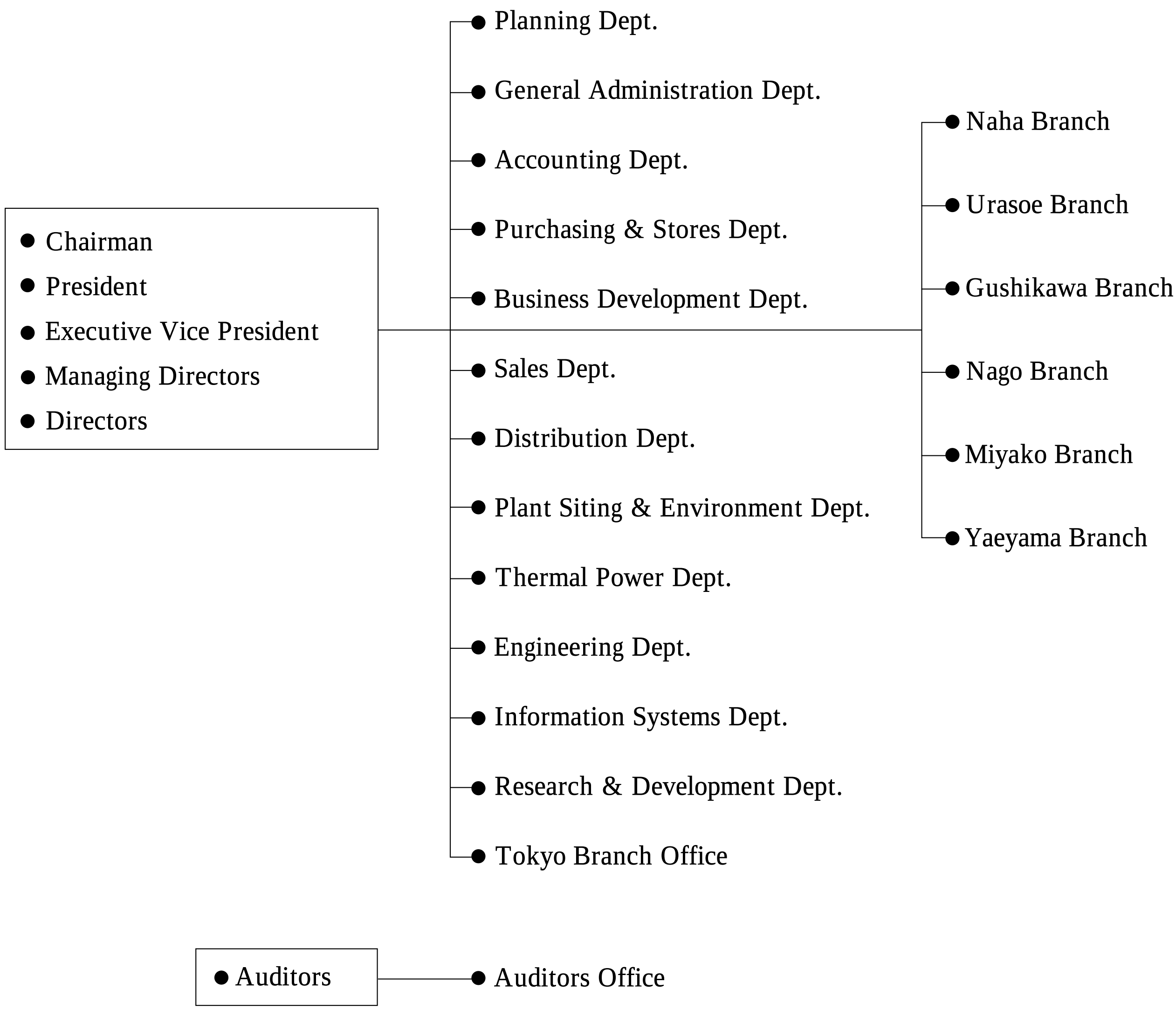
As described in Note 2 (g), effective April 1, 1999, the non-consolidated financial statements have been prepared in accordance with new accounting standards for interperiod allocation of income taxes.

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 29, 2000

Organization Chart



(As of August 15, 2000)

Corporate Data

Head Office
2-1, Makiminato 5-chome, Urasoe, Okinawa 901-2602, Japan
Tel: 098-877-2341
Fax: 098-877-6017

Tokyo Branch
No.45 Kowa Bldg. 6F, 15-9, Minami-Aoyama 1-chome, Minato-ku, Tokyo 107-0062, Japan
Tel: 03-3796-7768

Established
May 15, 1972

Capital
¥7,586 million

Total Assets
¥369,232 million

Number of Customers
731,507 (Includes users of both lighting and power)

Number of Employees
1,552

(As of March 31, 2000)

Power Generation Facilities

Type of Station	Number of Facilities	Generating Capacity [kW]
Steam	3	1,027,000
Gas Turbine	2	266,000
Internal Combustion	14	152,060
Total	19	1,445,060

Investor Information

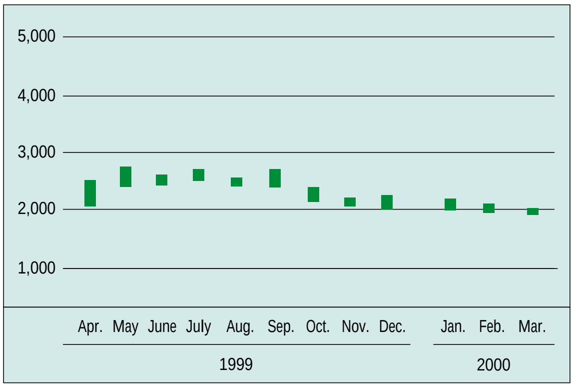
Transfer Agent and Registrar
The Mitsubishi Trust & Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-1005, Japan

Securities Traded
Tokyo Stock Exchange, Fukuoka Stock Exchange

Common Stock Issued
15,172,921 shares

Number of Shareholders
8,533

Stock Price Range on the Tokyo Stock Exchange [¥]



(As of March 31, 2000)

Independent Certified Public Accountants
Tohmatsu & Co. (Deloitte Touche Tohmatsu for international work)

Consolidated Subsidiaries

Name	Capital	Main Business Lines	Equity Ownership
Okidenko Co., Ltd.	¥130 million	Construction	48.0%
Okiden Kigyo Co., Ltd.	¥43 million	Peripheral operations related to electric power business	91.9%
Okinawa Plant Kogyo Co., Inc.	¥32 million	Peripheral operations related to electric power business	100.0%
Okinawa Denki Kogyo Co., Ltd.	¥23 million	Peripheral operations related to electric power business	99.4%
Okiden Kaihatsu Co., Inc.	¥50 million	Real estate	100.0%
Okiden Joho Service Co., Inc.	¥20 million	Information and telecommunications	100.0%
Okiden Sekkei Co., Ltd.	¥40 million	Construction	100.0%
Astel Okinawa Corp.	¥1,000 million	Information and telecommunications	69.7%
Okinawa New Energy Development Co., Inc.	¥49 million	Construction	51.0%
Okinawa Telecommunication Network Co., Inc.	¥700 million	Information and telecommunications	47.1%

The Okinawa Electric Power Company, Incorporated

Printed in Japan