The Okinawa Electric Power Company, Incorporated (OEPC)

Annual Report 2001

Financial Highlights (Consolidated)

THE OKINAWA ELECTRIC POWER COMPANY, INCORPORATED
Years ended March 31, 2001 and 2000

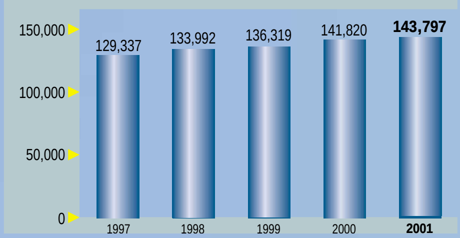
	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
For the year:			
Operating revenues	**¥143,797**	¥141,820	**$1,160,592**
Operating income	**17,235**	21,522	**139,106**
Net income	**3,537**	4,263	**28,544**
Per share of common stock (Yen and U.S. Dollars):			
Net income	**¥233.08**	¥280.95	**$1.88**
Cash dividends	**60.00**	50.00	**0.48**
At year-end:			
Total assets	**¥411,456**	¥392,749	**$3,320,874**
Total shareholders' equity	**65,650**	62,956	**529,861**

Note: The U.S. Dollar amounts represent translation of Japanese yen for convenience only at the approximate exchange rate on March 31, 2001, of ¥123.90 to $1.

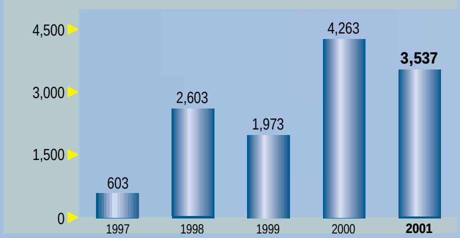
Operating Highlights (Non-Consolidated)

Years ended March 31, 2001, 2000 and 1999	**2001**	2000	1999
For the year:			
Electric energy sales (Millions of kWh)			
Lighting	**2,584**	2,582	2,592
Power	**4,042**	3,976	4,024
Peak load (Thousands of kW)	**1,329**	1,322	1,337
At year-end:			
Number of customers:			
Lighting	**677,925**	664,986	652,745
Power	**67,798**	66,522	64,847
Generating capacity (Thousands of kW)	**1,456**	1,445	1,445
Route length of transmission lines (km):			
Overhead	**607**	533	526
Underground	**160**	147	142

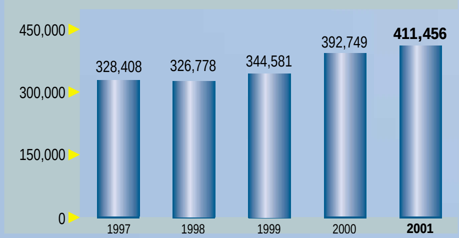
Consolidated Operating Revenues
(¥ Million)



Consolidated Net Income
(¥ Million)



Consolidated Total Assets
(¥ Million)



Contents

Profile

One of Japan's ten electric power utility companies, The Okinawa Electric Power Company, Inc. (OEPC) supplies power throughout Okinawa Prefecture, an island chain located at the southernmost tip of the Japanese archipelago. The population of Okinawa Prefecture is approximately 1.3 million. In addition to the main island, the prefecture consists of a number of smaller islands scattered over a wide 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.

In response to the partial deregulation of electric power, we have reduced our electricity rates, increased the efficiency of our clerical operations, and enhanced the already high-quality, low-cost service offered to our customers. In our power station network, the majority of the electric power comes from coal-fired generation, which is less expensive than oil-fired generation. We are also pioneering the introduction of clean energy sources such as solar and wind power. Organized around its core business of supplying electric power and operating and maintaining power stations and power transmission facilities, the OEPC Group is making an effort to strengthen and expand business through its eleven consolidated subsidiaries, which are also involved in industries such as construction, telecommunications, and real estate. As a public utility company that supports both homes and industries, OEPC is actively involved in not only ensuring the security of energy and preserving the environment, but also in philanthropic and other such activities that contribute to and promote the economic welfare of the local community.

Message from the President

The Okinawa Electric Power Company Group registered an increase in operating revenues and a decrease in pre-tax profit on a consolidated basis in the fiscal year ended March 31, 2001. In response to the partial deregulation of electric power retailing in 2000, the Company reduced rates in October 2000 to make the best use of the improvements in management efficiency that it had realized. Since the structural reforms implemented in July 2001, the Company has been working actively to ensure competitiveness by strengthening existing electric power operations, and to establish new high-profit businesses.

Operating Environment and Performance

During the term under review, although there were positive trends in consumer spending, with an increase in the number of new car sales, the economy of Okinawa failed to recover due to the stagnation in the construction industry combined with a year-on-year decrease in the number of tourists visiting the area. Amid this situation, however, due to an increase in the number of retail customers as well as increased demand from food manufacturing and telecommunications industries, both home and industrial consumption of electricity increased over the previous year, resulting in electric power sales of 6,626 million kWh, an increase of 1.0% over the previous year.

Operating revenue from the electric power supply business, which accounts for most of OEPC's consolidated revenue, rose 1.8% over the previous year, but since revenues from its involvement in the construction industry fell compared with the previous year, when there were many major construction projects, total sales (operating revenue) on a consolidated basis were up 1.4% year-on-year at ¥143,797 million (US$1,161 million). Income before income taxes and minority interest decreased 7.7% to ¥7,018 million (US$57 million), and net income came to ¥3,537 million (US$29 million), a 17.0% decrease from the previous year.

In line with the Company's policy of maintaining a steady annual dividend, we declared an interim dividend of ¥25 per share, which was then increased to a term-end dividend of ¥35 per share (a total of ¥60, including the interim dividend). This was made possible by recent improvements in management efficiency.

Principal Measures Implemented During the Term

The partial deregulation of electric power retail supply implemented in March 2000 is expected to bring about intense competition within the power industry. To stay ahead of its potential rivals, the Company adopted priority measures to enhance development of marketing activities that take into account the customers' needs and desires, to ensure additional cost reductions, and to increase the efficiency of clerical operations. As part of our efforts to bring about greater efficiency, we also implemented a 3.78% reduction in electricity rates and other measures including the diversification of the rates menu. Capital investment during the term decreased by ¥8.9 billion to ¥45.7 billion owing to the fact that the construction work on the Kin Thermal Power Station had largely been completed by the end of March 2001, and due to further cost reductions which were possible after careful reexamination of the details of the construction plans for each facility at the actual planning stage.

To deal with the increased demand for electric power, the Company has improved the operational efficiency of its existing facilities and started operations, as scheduled, of the No. 1 and No. 2 fixed-type gas turbine generators (5,000 kW each) at its No. 2 Ishigaki Island Power Station, the No. 8 generator (300 kW) at its Tonaki Power Station, and the No. 7 generator (300 kW) at its Rikkoku Power Station, thereby maintaining a stable supply of electric power. Turning to the Company's environmental preservation efforts, in September and October 2000, respectively, the Gushikawa and Makiminato Thermal Power Stations became the last of the Company's three steam power generation facilities to acquire ISO 14001 certification.

In December 2000, the Company was the first in the prefecture to issue corporate bonds (totaling ¥2 billion) to individual investors, and was able to sell all the bonds within a short period.

Future Prospects

The Company carried out a structural reform in July 2001, introducing a system of five Headquarters, including the Planning

Hirokazu Nakaima, *President*

Headquarters, IT Promotion Headquarters, Customer Service Headquarters, Electric Power Engineering Headquarters, and Remote Island Electrical Service Headquarters. In order to cope with changes in the industry, such as the liberalization of the electric power supply market and the rapid development of computerization, the structural reform was carried out to strengthen the Company's position in the electric power supply market through total cost reductions and to develop new projects that will expand the Company's profit base in the prefecture. In other words, we aim at the sort of corporate structure that combines both a continuing sense of mission as a public utilities company and the vigor of a private company that is confronted with a period of intense competition.

The Planning Headquarters will strengthen the overall strategic design and driving force of the Group, carry out prompt and accurate decision making, and build a more creative corporate structure. The Company will then pursue the more practical aims of expanding into IT-related operations, strengthening customer relations, developing more efficient operations, and reducing the cost of power supply to remote islands. The Company has already begun to develop new business lines and expand operations in the telecommunications field, and is also considering expanding into the prefecture's already thriving tourist resort business.

During fiscal 2001, we aim to solidify our position as the company of choice among the prefecture's customers by promoting our plans for improving efficiency, thereby ensuring cost-competitiveness. We decided to reduce our capital investments to under ¥350 billion for the next ten years when we lowered our rates in October 2000, but we have set the new target of reducing our total capital investments to ¥330 billion and are directing all our energies toward cutting back on our investments.

For the current term, we forecast a steady increase in the demand for electric power for home use, but only an insignificant increase in overall demand. In other market activities, although there is expected to be a moderate recovery in the telecommunications field, we forecast continuing severity in the general business environment, with sales on a consolidated basis rising 3.6% to ¥149 billion and net income rising 13.1% to ¥4.0 billion.

The OEPC Group is looking forward to sustained growth in the years ahead, and we would like to thank all our shareholders for their increased understanding and support.

Hirokazu Nakaima, President

OEPC's power supply plan for fiscal 2000 comprised three priority policies: encouraging rigorous cost-cutting measures, continuing to build and improve upon the efficiency of the Company's electric power supply system, and promoting measures to prevent environmental damage and develop new sources of energy. The OEPC Group has also made positive developments in enhancing its overall strength and in contributing to the local community.

Power Generation Facilities

With the fundamental goal of ensuring the stability of power supply over the long term, we are pushing forward with plans for the expansion of our power generation facilities to cope with forecast increases in demand, while improving the security and cost-effectiveness of our power supply structure.

During the term under review, the main development in the area of power generation was the steady progress made in the construction of the Kin Thermal Power Station on the main island, scheduled to start operations in February 2002. Another task was the establishment of a long-term management plan with the goal of generating sufficient income to rectify the balance of expenses necessary to supply electricity to remote islands by improving operational efficiency. This was done by introducing mobile generation units and gas turbine generators, which enabled reductions in capital investments, and by reducing expenses through periodic scheduled inspections. In practical terms, OEPC lowered its construction costs considerably by starting operations of the two low-cost fixed-type gas turbine generators (5,000 kW each) at its No. 2 Ishigaki Island Power Station to deal with peak load periods on the island, and introduced diesel generators with foreign-built engines (both 300 kW) on the smaller islands of Tonaki and Rikkoku.

While investigating new sources of energy, in order to demonstrate the efficiency of using distributed power generation systems on remote islands, the Company in November 2000 began test operations of the micro-gas turbine power generation facility manufactured by Capstone Turbine Corporation of the U.S., which has recently received much attention from around the world.

Gushikawa thermal power station and Kin thermal power station in the distance

During fiscal 2001, the Company will make steady preparations to begin operating the first power generator at the Kin Thermal Power Station, and at the same time, forge ahead with its plans to build an even more efficient and effective system of supplying power to remote islands. We will also clarify the rights and responsibilities of remote island operations and strengthen the functionality of our newly-established Remote Island Electrical Service Headquarters, with the purpose of introducing a semi-autonomous system for remote islands. During fiscal 2001, we expect coal-fired power stations to account for 61% of the total power generated.

Transmission Facilities

OEPC is working to improve the efficiency of its transmission facilities by reducing expenses, through reviews of basic facility designs, specifications, and methods, and by procuring resources and machinery from overseas. We have increased the capacity of existing trunk lines and installed backup routes from the trunk-line routes. Moreover, in accordance with our power supply plan, we are enhancing our transmission network, developing automated distribution systems, increasing the thickness of power transmission lines, and expanding the application of new methods of installation that minimize the probability of power blackouts.

In June 2000, the construction of a backup system both for the transmission lines to the northern part of the main island and the power route for the Gushikawa Power Station were completed so that more areas can have access to a secure supply of electric power. Until this time, the northern areas of the main island were supplied with electricity via the Kin trunk line and the eastern part of the New-Nago trunk line, and in the event that both lines were cut, by some natural occurrence such as

Power transmission route

lightning, the entire northern area of the main island would have suffered a power blackout. To remedy this situation, the Company not only provided a dual-routed backup system through the construction of the western route, but also doubled the cables along the new route. In this way, the Company was able to ensure an uninterrupted supply of energy and safeguard against a power shortage at the site of the G8 Summit in July 2000.

The construction of the dual-routed backup system (New-Nakagami trunk line) for the Gushikawa Power Station was completed over a period of approximately two years. It is one of the longest overhead transmission lines owned and operated by the OEPC.

During fiscal 2001, we will continue to work for more thoroughgoing reductions of supply costs and controls on capital investments, but also put our efforts into the efficient operation and maintenance of facilities by enhancing maintenance inspections, thereby extending the useful life of existing facilities.

Marketing Activities

The Company has been tackling two priority tasks - to respond effectively to the partial liberalization of electric power and to promote load leveling by encouraging people to adjust their consumption both between seasons and between daytime and nighttime. To do this, we are promoting the use of electric water heaters and heat-storage air-conditioning systems, and offering a selection of electricity rate packages that will promote load leveling. We have encouraged all employees to put marketing needs at the forefront of their concerns and help customers understand the merits of load leveling.

The Company has also developed a number of marketing schemes closely tailored to the preferences and needs of consumers in Okinawa, including the establishment of the Okinawa Electric Water Heater Promotion Committee and the Okiden Fureai Plaza, and various promotion campaigns such as the deploying of "mobile showrooms," containing mockups of residences filled with electric appliances, to tout the advantages of electricity in terms of safety and convenience. As a result, ownership of heat-storage air-conditioning systems increased by 52.5% over the previous term to 215 households, and due to the introduction of a rental system, the number of households using electric water heaters increased by 36.3% to 7,606 during the term under review.

In October 2000, as part of a new electricity rates menu, we introduced what we call the Ee-Life system (low-voltage power supply contracts, where charges vary according to the season and time of day), which sets discounted rates for customers who use only electric power in the home. We also introduced a weekend electricity supply discount for businesses, a heat-storage-adjusted discount, and a heat storage air-conditioning subcontract, which provides discounts on the use of electric power air-conditioning systems during off peak times.

We have also enhanced the disclosure of our business activities, utilizing our Internet website and a wide variety of information tools, and we surveyed customers' views and desires and made them a factor in deciding our management strategies.

During fiscal 2001, we will actively endorse our new electricity rates menus, including the "Ee-Life" plan, while encouraging more customers to use electric water heaters and heat storage air-conditioning systems and offering improved consulting services to our major account customers. We are also examining the establishment of a clerical operations center that makes use of IT to handle everything from electricity supply contracts to payments and inquiries.

Preservation of the Environment and Utilization of New Energy Sources

Based on its Environmental Preservation Action Plan, the Company is working together to preserve the environment, conducting checks and reviews to ensure the effective execution of the plan. By the autumn of 2000, the Ishikawa, Gushikawa, and Makiminato Thermal Power Stations had acquired ISO 14001 certification. The Company will maintain strict adherence to its

The Miyako Wind Power Research Facility

environmental management system and make efforts to acquire ISO 14001 certification for its other power stations and offices.

The key to reducing CO_2 emissions is fuel selection. After the start of operations at the Kin Thermal Power Station in 2002, we will follow a concrete plan to reduce CO_2 emissions by introducing LNG as an energy source. Based on research results, the Company has also introduced wind and solar power generation and developed a new energy generating system that combines solar and wind power generation with new types of storage batteries. We drew up a Basic Plan for New Energy and are considering ways of reducing construction costs for the implementation of this Plan.

To further promote the use of new energy sources, the Company inaugurated the Okinawa Green Power Fund in October 2000 with donations from individual and corporate customers. On behalf of the fund, the Company collects donations together with customers' monthly payments. These donations are used mainly to promote the establishment within Okinawa Prefecture of power facilities that utilize renewable energy sources. A portion of the fund is also used as part of a nationwide effort to encourage the use of wind power generation. In order to ensure transparency in the collection of donations, the Company assists the Nansei Shoto Industrial Advancement Center, which is in charge of managing the fund.

Enhancing Corporate Value Through Groupwide Efforts

OEPC plans to take an active stance toward the creation and fostering of new businesses while keeping our eyes on changes in factors such as the accounting system and the business environment, which have in the recent past necessitated corporate restructuring through deregulation as well as amendments to the Commercial Code for the establishment of holding companies. To accomplish this aim, the Okiden Group ("Okiden is an abbreviation of the Japanese name for Okinawa Electric Power) will utilize all the management resources it has cultivated to seize new business opportunities on a number of fronts, incorporate new businesses that are expected to achieve growth and profitability, and examine the possibilities of reconstructing and restructuring its business areas.

By enhancing the competitiveness and marketing strengths of Group companies, expanding sales from outside the Group and strengthening partnerships and cooperative relationships among the companies, we aim to promote the management efficiency of the Group as a whole and improve business performance on a consolidated basis.

Telecommunications is an area of business from which much growth is expected in the future. The government has been actively organizing IT Strategy Sessions based on its "e-Japan" concept, and rapid progress in computerization — of government, companies, and among individuals — is expected in the near future. Both the central government, through its plan to promote Okinawa as Japan's "special international telecommunications zone" and the prefectural government, through its "Multimedia Island" concept, have taken measures to subsidize telecommunications industries. Many call centers, contents creators, and software developers have already sprung up, and more IT and telecommunications industries are expected to merge on the main island in the near future. At the moment, three companies within the Okiden Group are involved in the telecommunications business — Okiden Joho Service, Astel Okinawa, and Okinawa Telecommunication Network. In July 2000, together with three other companies, including Nippon Telecom, we established a new company that acts as both a data center and a call center and offers a wireless Internet connection service throughout the prefecture. In May 2001, Okinawa Telecommunication Network entered the Internet service provider business, establishing the wholly-owned subsidiary OT Net Service Co., Ltd. From here onward, we plan to further strengthen the cooperative relationship among the OEPC Group companies in order to enhance and support the Group as a whole.

The new Planning Headquarters, established as a result of the recent OEPC structural reform, will put its energies into drawing up and implementing strategies to enhance the performance of the entire Group.

Creating a Working Environment that Improves Staff Abilities

In this new era of severe competition, we require a flexible approach to management issues and speedier decision making. With these aims in mind, we have decided to create a new management system based on the principle of taking personal responsibility for one’s decisions at the departmental level.

Specifically, we aim to foster the development of high-level specialist skills among our staff, improve the abilities of our marketing staff, make more extensive use of overseas study schemes, and expand the application of in-house language learning and certification schemes. In this way, we hope to train staff to cope effectively with the rapidly globalizing business environment and raise the level of computer literacy. Moreover, we plan to create a training system that will allow newly hired employees to make a contribution to the Company’s bottom line in record time. To ensure the efficiency and effectiveness of our staff training programs, we plan to build a Central Training Institute.

In parallel with these efforts in the field of staff training, we are also promoting a change in the work attitudes of employees, including at affiliated companies. We intend to inject greater energy into the current system of making proposals and encourage staff to take a more active part in shaping the work process. To expand the scope of our business operations and foster the entrepreneurial spirit among employees of Group companies, we have implemented the “Move 2000 Program,” which provides help and incentives for staff to form venture companies.

Contributions to Regional Society

The management of OEPC places emphasis on working together with the local community for the good of the region. To this end, all members of staff strive to be responsible citizens by taking an active part in community activities such as educational and cultural programs. This is part of our overall effort to ensure that the Company enjoys the trust of the people of Okinawa Prefecture. We also make a contribution to the development of the local community by financing research projects at educational institutions and through cooperation with the activities of the Center for the Revitalization of Industry in the Nansei Region, a foundation. Moreover, the Company plays an active part in stimulating the economy of Okinawa Prefecture through various policy proposals to and support for local authorities.

As an important part of our continuing contribution to the community, we set aside a 10-day period every November to encourage closer communication between our staff and the public and to give us an opportunity to express our appreciation for their support. During this period, we hold various events and get-togethers at power stations and other facilities throughout the prefecture.

As part of our cultural activities, 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. In recognition of our efforts in discovering and supporting talented young people in the arts field, we were recently awarded the Year 2000 Philanthropy Prize by the Association for Corporate Support of the Arts.

In addition to the foregoing, we sponsor the Exhibition of Science Works by Schoolchildren with the aim of broadening interest in science among students from elementary to high school level. Moreover, OEPC staff act as volunteer helpers at triathlons held on Ishigaki and Miyako islands. Employees also help cement the Company’s ties with the local community by participating in festivals, giving lectures open to the public.

Okiden Sugar Hall Newcomers’ Performance Audition

Topics

OEPC Maintains AA+ Rating for Long-Term Bonds and Commercial Paper

In its once-a-year revision of credit ratings for electric power utility companies, Rating and Investment Information, Inc. (R&I) once again awarded a rating of AA+ to debentures and commercial paper issued by OEPC. This rating reflects the agency's evaluation of the full feasibility of OEPC's plans for management efficiency improvement, which would bring the Company's management efficiency up to the same level as at Japan's other power utilities. The credit rating agency has also given OEPC high marks for improvements in the efficiency of its power supply to remote islands through the use of wind-powered generators and other small-scale power sources.

Two Companies Set Up Under "Move 2000" Venture System

Under the "Move 2000" venture promotion system, applied to all members of the OEPC Group, two new companies have been established - a consulting service for companies aiming to obtain ISO 9001 or ISO 14001 certification, and a computer network security consulting service.

Test Operation of Solar Power Systems Started at Kita-Daitojima and Yaeyama Offices

In February 2001, OEPC's offices on Kita-Daitojima and Ishigaki islands were selected for field tests of a solar power electricity generation system under the commercial-use solar power program of NEDO (the Japanese government's New Energy and Industrial Technology Development Organization). Following this, construction of the facilities was completed and tests begun. NEDO subsidized approximately half the cost of construction. Tests will be carried out over four years, and the results are expected to help promote the more widespread adoption of solar power technology.

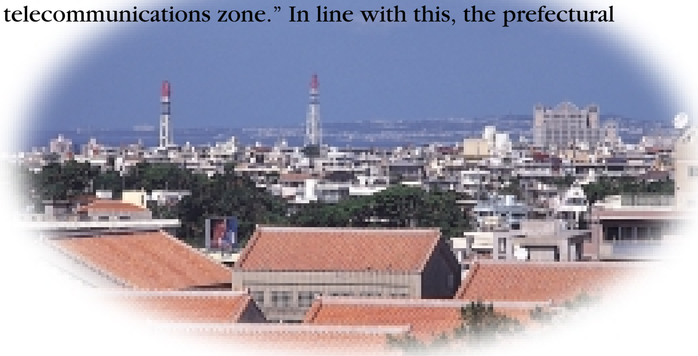
Investment in New Tourism Information Company

OEPC has taken a capital stake of 66.2% in the newly established company Pam, Co. Ltd., which provides tourist-oriented information, including a car positioning service, via rental mobile terminals. As a member of the OEPC Group, this new company is expected to realize a valuable synergy with the Group's existing telecommunications operations.

Our Operational Base

Okinawa Prefecture is renowned as the leading marine resort area in Japan, and efforts are being made to further boost the tourism and leisure industries. At the same time, however, OEPC is cooperating with the prefectural authorities in efforts to attract more telecommunications industry and inject greater levels of information technology into the region with the ultimate goal of achieving a self-sustained economy.

The government has positioned the promotion of IT as the main engine of Okinawa Prefecture's future economic development, and has put forward a proposal to turn the prefecture into a major telecommunications hub for the Asia-Pacific region, to which end it has designated Okinawa as a "special international telecommunications zone." In line with this, the prefectural government has proposed its "Multimedia Island" concept, under which it will make efforts to attract companies in the IT field.



In order to support such IT companies in Okinawa, the prefectural government is providing assistance, on a temporary basis. This includes subsidies to pay the costs of communications and staff training, and incentives for hiring young people. It is hoped that these measures will play a valuable role in driving the development of Okinawa's economy and the expansion of its workforce.

Thanks to a system of preferential treatment and the islands' large potential workforce of young people, the prefecture is enjoying especially notable success in persuading companies to set up call centers on the main island, and many companies — both Japanese and foreign — have set up subsidiaries in Okinawa. In addition to call centers, there has also been a marked increase in the number of IT-related companies, such as website contents creators and software developers.

As described above, the OEPC Group regards the IT and tourism sectors as promising candidates for future earnings generators, and efforts in this direction will be intensified so as to help strengthen ties with customers in this age of power supply deregulation with the additional aim of growing new businesses.

Consolidated Financial Review

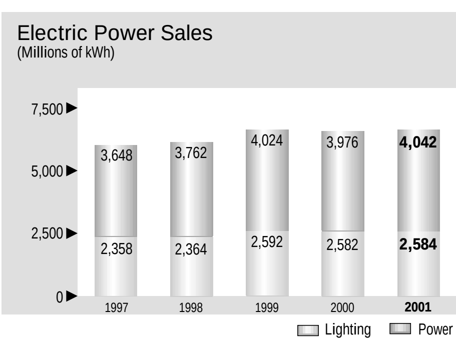
The number of consolidated subsidiaries increased from 10 to 11 in the term under review.

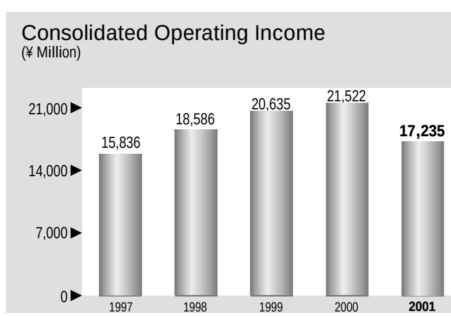
Business Performance

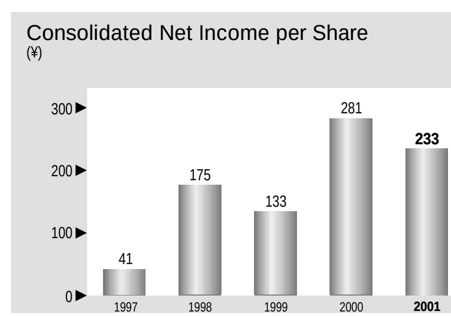
During the term under review, total operating revenues rose 1.4% year-on-year (¥1,977 million), to ¥143,797 million (US$1,160,592 thousand), while total operating expenses increased 5.2% (¥6,264 million) to ¥126,562 million (US$1,021,486 thousand). This was due to increased personnel expenses resulting from changes in accounting standards following the introduction of retirement benefit accounting, as well as a rise in fuel costs for electric power generation stemming from an increased price for crude oil. Operating income was down 19.9% (¥4,287 million) from the previous term, at ¥17,235 million (US$139,106 thousand). Net other expenses came to ¥10,217 million (US$82,461 thousand), while income before income taxes and minority interests declined 7.7% (¥588 million) year-on-year, to ¥7,018 million (US$56,645 thousand).

As a result of the foregoing, the Group posted a year-on-year decline in net income of 17.0% (¥726 million) to ¥3,537 million (US$28,544 thousand). Earnings per share on a consolidated basis came to ¥233.08 (US$1.88), while the dividend per share was ¥60.00 (US$0.48).

In a breakdown of operating results by business segment, operating revenues from the sale of electric power rose 1.8% (¥2,374 million) to ¥133,945 million (US$1,081,073 thousand) as a result of a higher volume of electricity sold as well as the fuel cost-linked rate







CONTENTS

adjustment system. Operating expenses recorded a year-on-year rise of 6.3% (¥7,012 million) to ¥118,712 million (US$958,123 thousand) mainly due to increased personnel expenses stemming from the adoption of retirement benefit accounting, as well as a rise in fuel costs due to higher crude oil prices. However, repair and maintenance costs declined due to efforts to reduce expenses and improve management efficiency. As a result, operating income saw a decline of 23.3% (¥4,638 million) from the previous term, to ¥15,233 million (US$122,950 thousand).

A new consolidated subsidiary began contributing to the group's revenues from the construction business beginning with the term under review. Owing to the non-repetition of the large-scale construction work recorded in the previous term, operating revenues declined 13.4% (¥3,318 million) year-on-year, to ¥21,470 million (US$173,292 thousand). Operating expenses fell 11.5% (¥2,660 million) to ¥20,453 million (US$165,079 thousand), while operating income was down 39.3% (¥658 million), at ¥1,017 million (US$8,213 thousand).

In revenues from other operations, operating revenues recorded growth of 2.8% (¥751 million) to ¥27,885 million (US$225,056 thousand) thanks to increased revenues from rentals of dedicated telecommunication lines. As a result of efforts to reduce costs, operating expenses in this segment inched up by a mere 0.4% (¥112 million) to ¥26,562 million (US$214,382 thousand), and thus operating income recorded a strong increase of 93.4% (¥639 million) to ¥1,323 million (US$10,674 thousand).

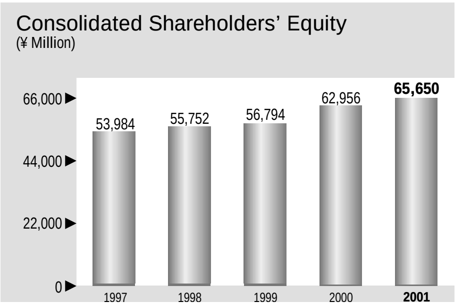
Financial Position

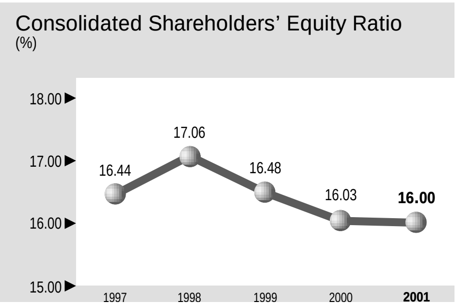
Term-end total assets were up 4.8% (¥18,707 million) over the previous term end, at ¥411,456 million (US$3,320,874 thousand).

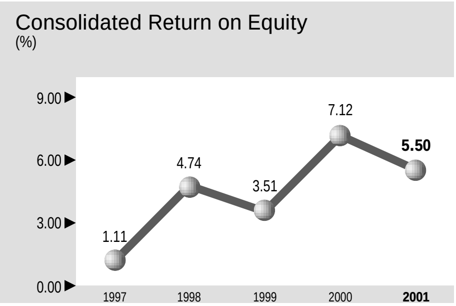
The value of property, plant and equipment rose 6.1% (¥21,286 million) year-on-year, to ¥371,887 million (US$3,001,509 thousand). This was mainly due to increased investment in construction of the Kin Thermal Power Station, which got fully underway during the term, as well as the addition of one more company to the list of consolidated subsidiaries.

Investments and other assets grew 21.3% (¥2,550 million) during the term, to ¥14,522 million (US$117,206 thousand). This increase reflects three factors: the expansion of the investment account concerning non-consolidated subsidiaries and affiliated companies from ¥60 million in the previous term to ¥476 million (US$3,839 thousand); an increase of ¥1,543 million, or 21.2%, in recognized deferred tax assets, to ¥8,818 million (US$71,168 thousand); and an increase in other assets of 52.4% (¥889 million) from the previous term's ¥1,697 million, to ¥2,586 million (US$20,877 thousand).

Current assets declined 17% (¥5,129 million) to ¥25,047 million (US$202,159 thousand), due to a fall of







30.1% (¥4,228 million) in cash and cash equivalents to ¥9,808 million (US$79,161 thousand) as well as a 16.5% (¥1,021 million) decline in inventories to ¥5,163 million (US$41,670 thousand).

Current liabilities as of the term-end were down 7.1% (¥5,206 million) year-on-year, at ¥68,067 million (US$549,368 thousand), mainly due to the issuance of commercial paper in the previous term. Long-term liabilities rose 8.1% (¥20,831 million) compared with the previous term-end, to stand at ¥276,727 million (US$2,233,475 thousand).

Shareholders' equity at term-end was up 4.3% (¥2,694 million), at ¥65,650 million (US$529,861 thousand), principally as a result of a 5.6% (¥2,694 million) increase in retained earnings, giving a figure of ¥50,922 million (US$410,991 thousand).

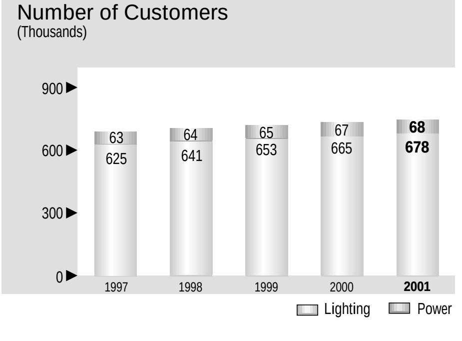
Cash Flows

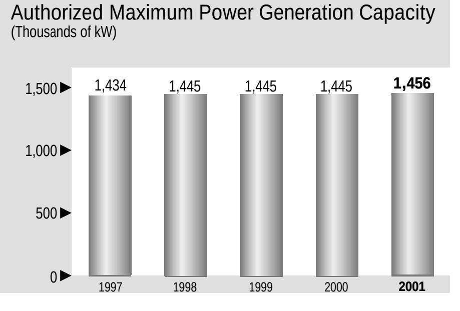
The Company's outlay on investments in large-scale construction projects has been at a high level over the past few years, but spending on these projects had already peaked out by the end of the previous term. This resulted in a decline in net cash used in investment activities during the term under review.

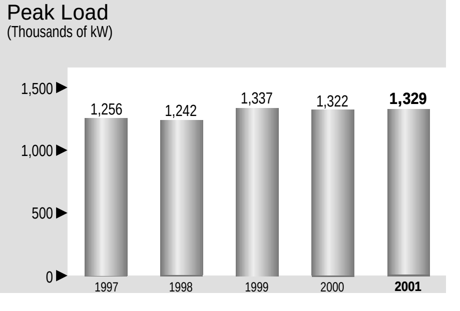
Cash and cash equivalents declined 31.4% (¥4,405 million) during the term, to ¥9,808 million (US$79,161 thousand). The decrease in cash and cash equivalents was 78.8% larger than the figure for the previous term. This was the mixed result of a decline of ¥12,243 million in cash flow from operating and financing activities (due to a decrease in notes and accounts payable and proceeds from long-term debt), as well as a decrease of ¥11,822 million in purchase of utility plants (cash flow from investment activities). Net cash provided by operating activities decreased by 10.3% (¥3,345 million) to ¥29,092 million (US$234,798 thousand) due to a decline in notes and accounts payable by the parent company and subsidiaries, as well as a loss on disposal of property, plant and equipment.

Net cash used in investing activities recorded a decline of 17.4% (¥10,301 million) to ¥48,770 million (¥393,624 thousand). This was the result of a fall in outlays for the acquisition of property, plant and equipment in line with the abovementioned peak-out of major construction projects. As a result, the free cash flow (defined as total of cash flows from operating and investing activities) came to a net outflow of ¥19,678 million, a ¥6,956 million improvement over the previous term.

Net cash provided by financing activities was down 36.8% (¥8,898 million) from the previous term, at ¥15,273 million (US$123,269 thousand) due to a decline in proceeds from long-term debt and commercial paper issuance, which more than offset a ¥17 billion corporate bond issuance.







Consolidated Balance Sheets

The Okinawa Electric Power Company, Incorporated and consolidated subsidiaries
March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2000	**2001**
Assets			
Property, plant and equipment:			
Utility plants (Note 3)	**¥598,275**	¥572,383	**$4,828,693**
Other plant and equipment	**29,795**	28,797	**240,479**
Construction in progress	**85,801**	71,017	**692,500**
	713,871	672,197	**5,761,672**
Less:			
Contributions in aid of construction	**(21,687)**	(21,679)	**(175,038)**
Accumulated depreciation	**(320,297)**	(299,917)	**(2,585,125)**
	(341,984)	(321,596)	**(2,760,163)**
Net property, plant and equipment	**371,887**	350,601	**3,001,509**
Investments and other assets:			
Investment securities (Note 4)	**2,760**	2,952	**22,276**
Investments in and advances to non-consolidated subsidiaries and affiliates	**476**	60	**3,839**
Allowance for doubtful accounts	**(118)**	(12)	**(954)**
Deferred tax assets (Note 8)	**8,818**	7,275	**71,168**
Other assets	**2,586**	1,697	**20,877**
Total investments and other assets	**14,522**	11,972	**117,206**
Current assets:			
Cash and cash equivalents (Note 2 (d))	**9,808**	14,036	**79,161**
Short-term investment	**1,960**	1,253	**15,819**
Notes and accounts receivable	**6,299**	7,151	**50,839**
Allowance for doubtful accounts	**(134)**	(105)	**(1,082)**
Inventories	**5,163**	6,184	**41,670**
Deferred tax assets (Note 8)	**1,230**	876	**9,928**
Other current assets	**721**	781	**5,824**
Total current assets	**25,047**	30,176	**202,159**
Total	**¥411,456**	¥392,749	**$3,320,874**
Liabilities and shareholders' equity			
Long-term liabilities:			
Long-term debt, less current maturities (Notes 5 and 9)	**¥259,638**	¥242,738	**$2,095,545**
Liabilities for employee retirement benefits (Notes 2 (f) and 7)	**16,486**	11,901	**133,058**
Other long-term liabilities	**603**	1,257	**4,872**
Total long-term liabilities	**276,727**	255,896	**2,233,475**
Current liabilities:			
Current maturities of long-term debt (Note 5)	**27,301**	25,265	**220,349**
Commercial paper (Note 6)		5,000	
Short-term bank loans (Note 6)	**2,340**	800	**18,881**
Notes and accounts payable	**26,223**	29,947	**211,650**
Income taxes payable (Note 8)	**2,896**	2,588	**23,376**
Accrued expenses	**7,376**	7,350	**59,528**
Other current liabilities	**1,931**	2,323	**15,584**
Total current liabilities	**68,067**	73,273	**549,368**
Minority interests	**1,012**	624	**8,170**
Commitment and contingent liabilities (Notes 9 and 10)			
Shareholders' equity (Notes 2 (k), 11 and 13)**:**			
Common stock, ¥500 par value;			
Authorized — 30,000,000 shares			
Issued and outstanding — 15,172,921 shares in 2001 and 2000	**7,586**	7,586	**61,230**
Additional paid-in capital	**7,142**	7,142	**57,640**
Retained earnings	**50,922**	48,228	**410,991**
Total shareholders' equity	**65,650**	62,956	**529,861**
Total	**¥411,456**	¥392,749	**$3,320,874**

See notes to consolidated financial statements.

Consolidated Statements of Income

The Okinawa Electric Power Company, Incorporated and consolidated subsidiaries
Years ended March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2000	**2001**
Operating revenues:			
Electric	**¥133,945**	¥131,571	**$1,081,073**
Other	**9,852**	10,249	**79,519**
Total operating revenues	**143,797**	141,820	**1,160,592**
Operating expenses (Notes 7 and 9)**:**			
Electric	**117,033**	108,891	**944,578**
Other	**9,529**	11,407	**76,908**
Total operating expenses	**126,562**	120,298	**1,021,486**
Operating income	**17,235**	21,522	**139,106**
Other expenses:			
Interest expense (Notes 2 (b), 3 and 5)	**9,746**	9,720	**78,657**
Provision for prior liabilities for severance payments (Note 2 (f))		3,417	
Other — net	**471**	779	**3,804**
Net other expenses	**10,217**	13,916	**82,461**
Income before income taxes and minority interests	**7,018**	7,606	**56,645**
Income taxes (Note 8)**:**			
Current	**4,957**	4,799	**40,006**
Deferred	**(1,863)**	(1,616)	**(15,034)**
Total	**3,094**	3,183	**24,972**
Income before minority interests	**3,924**	4,423	**31,673**
Minority interests in net income	**387**	160	**3,129**
Net income	**¥ 3,537**	¥ 4,263	**$ 28,544**
	Yen		U.S. Dollars
Per share of common stock (Note 2 (i))**:**			
Net income	**¥233.08**	¥280.95	**$1.88**
Cash dividends applicable to the year	**¥ 60.00**	¥ 50.00	**$0.48**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

The Okinawa Electric Power Company, Incorporated and consolidated subsidiaries
Years ended March 31, 2001 and 2000

	Shares outstanding (Thousands)	Millions of Yen: Common stock	Additional paid-in capital	Retained earnings
Balance, April 1, 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 subsidiary (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
Adjustment of retained earnings for newly consolidated subsidiaries (Note 2 (a))				**17**
Net income				**3,537**
Appropriations:				
Cash dividends				**(759)**
Bonuses to directors and corporate auditors				**(101)**
Balance, March 31, 2001	**15,173**	**¥7,586**	**¥7,142**	**¥50,922**

	Thousands of U.S. Dollars (Note 1): Common stock	Additional paid-in capital	Retained earnings
Balance, March 31, 2000	$61,230	$57,640	$389,250
Adjustment of retained earnings for newly consolidated subsidiary (Note 2 (a))			**140**
Net income			**28,544**
Appropriations:			
Cash dividends			**(6,123)**
Bonuses to directors and corporate auditors			**(820)**
Balance, March 31, 2001	**$61,230**	**$57,640**	**$410,991**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

The Okinawa Electric Power Company, Incorporated and consolidated subsidiaries
Years ended March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2000	**2001**
Operating activities:			
Income before income taxes and minority interests	**¥ 7,018**	¥ 7,606	**$ 56,645**
Adjustments for:			
Income taxes paid	**(4,683)**	(5,787)	**(37,799)**
Depreciation and amortization	**24,176**	24,687	**195,125**
Provision for employee retirement benefits	**3,938**	3,058	**31,787**
Loss on disposal of property, plant and equipment	**692**	1,998	**5,586**
Changes in operating assets and liabilities:			
Decrease (increase) in notes and accounts receivable	**1,038**	(643)	**8,376**
Decrease (increase) in inventories	**1,253**	(1,188)	**10,113**
Decrease in other long-term liabilities		(454)	
(Decrease) increase in payables and accrued expenses	**(1,846)**	1,116	**(14,902)**
Decrease in interest payable	**(26)**	(67)	**(211)**
Other — net	**(2,468)**	2,111	**(19,922)**
Total adjustments	**22,074**	24,831	**178,153**
Net cash provided by operating activities	**29,092**	32,437	**234,798**
Investing activities:			
Purchase of property, plant and equipment	**(46,999)**	(58,821)	**(379,331)**
Proceeds from sale of property, plant and equipment	**660**		**5,325**
Purchase of investment securities	**(223)**	(1,395)	**(1,803)**
Increase in investments in advances to unconsolidated subsidiaries and affiliates	**(186)**		**(1,498)**
Purchase of short-term investment	**(2,160)**	(2,043)	**(17,433)**
Proceeds from maturity of short-term investment	**1,453**	3,094	**11,727**
Other — net	**(1,315)**	94	**(10,611)**
Net cash used in investing activities	**(48,770)**	(59,071)	**(393,624)**
Financing activities:			
Proceeds from issuance of bonds	**17,000**	8,000	**137,207**
Proceeds from long-term debt	**27,760**	38,307	**224,052**
Repayments of long-term debt	**(25,016)**	(24,638)	**(201,902)**
Proceeds from short-term bank loans	**4,499**	4,100	**36,315**
Repayments of short-term bank loans	**(2,960)**	(5,677)	**(23,890)**
Proceeds from issuance of commercial paper	**5,000**	15,000	**40,355**
Repayments on maturity of commercial paper	**(10,000)**	(10,000)	**(80,710)**
Cash dividends paid	**(758)**	(751)	**(6,123)**
Other — net	**(252)**	(170)	**(2,035)**
Net cash provided by financing activities	**15,273**	24,171	**123,269**
Net decrease in cash and cash equivalents	**(4,405)**	(2,463)	**(35,557)**
Cash and cash equivalents of newly consolidated subsidiaries, beginning of year	**177**	2,636	**1,433**
Cash and cash equivalents, beginning of year	**14,036**	13,863	**113,285**
Cash and cash equivalents, end of year	**¥ 9,808**	¥14,036	**$ 79,161**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Okinawa Electric Power Company, Incorporated and consolidated subsidiaries
Years ended March 31, 2001 and 2000

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 their related accounting regulations. The Okinawa Electric Power Company, Incorporated (the "Company") and its consolidated subsidiaries (together the "Companies") maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code (the "Code") and in conformity with accounting principles 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, 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 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 ¥123.90 to $1, the approximate rate of exchange at March 31, 2001. 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 in 2000 consolidated financial statements to conform to the presentations and classifications used in 2001.

2. Summary of significant accounting policies

(a) Consolidation

The consolidated financial statements for the year ended March 31, 2001 include the accounts of the Company and its eleven significant (ten for the year ended March 31, 2000) subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is eliminated.

Effective April 1, 1999, the Companies 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.

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 Statement of Shareholders' Equity for the year ended March 31, 2000.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary/affiliate company at the date of acquisition is being amortized over five years by the straight-line method, or written off if the amount is ¥100 million or less.

Consolidation of remaining subsidiaries and the application of the equity method to the remaining affiliates would have not have a material effect on the accompanying consolidated financial statements. Investments in such unconsolidated subsidiaries and affiliates are stated at cost.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost. Prior to April 1, 2000, the cost of property plant and equipment includes certain interest costs on the borrowed funds incurred during the construction period of the related assets. Effective April 1, 2000, interest costs have been expensed as incurred in accordance with a recent revision to the accounting regulations for electric utility companies. As a result of this accounting change, income before income taxes and minority interests for the year ended March 31, 2001 was approximately ¥500 million ($4,036 thousand) less than it would have been using the prior method of accounting.

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

Prior to April 1, 2000, investment securities are stated at cost determined by the moving-average method. Investment securities are written down to appropriate value if the investments have been significantly impaired in value of a permanent nature.

Effective April 1, 2000, the Companies adopted a new accounting standard for financial instruments, including investment securities. Under this standard, all applicable securities are to be classified and accounted for, depending upon management's intent, as follows: i) trading securities, which are held for the purpose of earning capital gains in near term, are reported at fair value, and the related unrealized gains and losses are included in earnings, ii) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost, and iii) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The Companies classified their securities as available-for-sale securities. As of March 31, 2001, all available-for-sale securities were stated at cost, pursuant to a transitional rule allowing the new valuation method for available-for-sale securities to be applicable for the fiscal year beginning from April 1, 2001.

(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 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.

(e) Inventories

Inventories are stated 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. Additionally, the Company and most of the consolidated subsidiaries have non-contributory funded defined benefit pension plans covering substantially all of their employees.

Under the employees' retirement plans for the Company and most of the consolidated subsidiaries, prior to April 1, 2000, 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. For the funded pension plan, the amounts contributed to the funds, except for prior service costs were charged to income when paid. Prior service costs were accrued when incurred.

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, for the Company, 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, included as other expense in the Consolidated Statements of Income, was to decrease income before income taxes and minority interests for the year ended March 31, 2000 by ¥3,417 million.

Effective April 1, 2000, the Companies adopted a new accounting standard for employees' retirement benefits and accounted for the liability for employees' retirement benefits based on the projected benefit obligations and plan assets of the pension fund at the balance sheet date. The full amount of the transitional obligation of ¥4,648 million ($37,511 thousand), determined as of the beginning of year, was charged to income as operating expenses in the year ended March 31, 2001.

As a result, the net effect of the adoption of the new standard on the statement of income was to increase operating expenses by ¥4,024 million ($32,484 thousand) and to decrease income before income taxes and minority interests by ¥4,024 million ($32,484 thousand) including a cumulative effect of ¥4,648 million ($37,511 thousand) for the year ended March 31, 2001.

(g) Income taxes
Effective April 1, 1999, the Companies 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 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/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 paid or incurred.

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

(j) Lease
Leases that transfer ownership of the leased property to the lessee are accounted for as finance leases. All other leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance 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.

(k) Appropriation of retained earnings
Appropriation of retained earnings at each year end is reflected in the financial statements for the following year upon shareholders’ approval.

3. Utility plants

Utility plants, at cost, as of March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Thermal power generating facilities	**¥264,352**	¥261,567	**$2,133,595**
Transmission facilities	**115,124**	97,781	**929,169**
Transformation facilities	**77,252**	75,570	**623,502**
Distribution facilities	**117,068**	113,557	**944,855**
General facilities	**24,479**	23,908	**197,572**
Total	**¥598,275**	¥572,383	**$4,828,693**

Interest costs capitalized for the year ended March 31, 2000 was ¥229 million. (See note 2 (b)).

4. Investment securities

The carrying amounts and aggregate fair values of investment securities at March 31, 2001 were as follows:

	Millions of Yen			
At March 31, 2001	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥1,626**	**¥277**	**¥244**	**¥1,659**
Debt securities	**322**	**3**		**325**
Total	**¥1,948**	**¥280**	**¥244**	**¥1,984**

	Thousands of U.S. Dollars			
At March 31, 2001	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$13,129**	**$2,235**	**$1,977**	**$13,387**
Debt securities	**2,599**	**29**		**2,628**
Total	**$15,728**	**$2,264**	**$1,977**	**$16,015**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2001 were as follows:

	Carrying Amount	
	Millions of Yen	Thousands of U.S. Dollars
Available-for-sale:		
Equity securities	¥812	$6,548
Total	¥812	$6,548

The excess of market value over the carrying amount of quoted securities was ¥722 million at March 31, 2000.

5. Long-term debt

Long-term debt at March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Secured bond, 0.7% to 1.91% in 2001 and 1.91% in 2000, due serially through 2010	**¥ 25,000**	¥ 8,000	**$ 201,776**
Secured loans from Okinawa Development Finance Public Corporation, 1.10% to 6.30% in 2001 and 2000, due serially through 2024	**241,279**	238,863	**1,947,369**
Unsecured loans from banks, 0.42% to 3.40% in 2001 and 0.68% to 7.50% in 2000, due serially through 2016	**19,265**	19,501	**155,492**
Secured debt with a leasing company, Semi-annual payment of ¥144 million ($1,161 thousand) with interest, maturity in 2005 and 2008	**1,395**	1,639	**11,257**
Total	**286,939**	268,003	**2,315,894**
Less current maturity	**(27,301)**	(25,265)	**(220,349)**
Long-term debt, less current maturity	**¥259,638**	¥242,738	**$2,095,545**

All of the Company’s assets are subject to certain statutory preferential rights established to secure bonds, loans received from the Okinawa Development Finance Public Corporation and bonds transferred to banks under debt assumption agreements (see Note 10). Certain assets of the consolidated subsidiaries, amounting to ¥10,531 million ($84,996 thousand), are pledged as collateral for a portion of the long-term debt.

Maturities of long-term debt outstanding at March 31, 2001 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2002	¥ 27,301	$ 220,349
2003	31,221	251,984
2004	32,716	264,053
2005	32,130	259,323
2006	28,077	226,613
2007 and thereafter	135,494	1,093,572
Total	¥286,939	$2,315,894

6. Short-term Bank loans and commercial paper

Short-term bank loans were represented by 32-63 and 88-182 days unsecured notes, bearing weighted average interest rates at 0.58% and 0.73% at March 31, 2001 and 2000, respectively. At March 31, 2000, the weighted average interest rates applicable to commercial paper was 0.07%.

7. Employee retirement benefits

The Company and most of the consolidated subsidiaries have defined benefit pension plan covering substantially all of their employees. Employees who retire from the Company and its certain consolidated subsidiaries are, under most circumstances, entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service, and conditions under which the termination occurs. If the termination is involuntary, caused by retirement at the mandatory retirement age or caused by death, the employee is entitled to greater payment than in the case of voluntary termination.

Effective April 1, 2000, the Companies adopted a new accounting standards for employees' retirement benefits.

The liability for employees' retirements benefit at March 31, 2001 consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
Projected benefit obligation	¥25,630	$206,863
Fair value of pension assets	(8,082)	(65,236)
Unrecognized actuarial loss	(1,062)	(8,569)
Net liability for retirement benefits	¥16,486	$133,058

The components of net periodic benefit costs for the year ended March 31, 2001 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥1,287	$10,387
Interest cost	689	5,560
Expected return on plan assets	(303)	(2,442)
Amortization of transitional obligation	4,648	37,511
Net periodic benefit costs	¥6,321	$51,016

Assumptions for actuarial computations for the year ended March 31, 2001 are set forth as follows:

Discount rate	3.0%
Expected rate of return on plan assets	4.0 %
Recognition period of actuarial gain/loss	primarily 5 years
Amortization period of transitional obligation	1 year

Total charge to income under the plans was ¥5,363 million for the years ended March 31, 2000.

8. Income taxes

The Companies are subject to several taxes based on income. For the years ended March 31, 2001 and 2000, the aggregate normal statutory tax rates approximated 35%.

The tax effects of significant temporary differences and loss carryforwards, which resulted in deferred tax assets and liabilities at March 31, 2001 and 2000, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Deferred tax assets:			
Unrealized profit	**¥ 4,296**	¥ 4,138	**$ 34,672**
Tax loss carry forward	**2,122**	2,373	**17,127**
Pension and severance costs	**3,525**	1,722	**28,452**
Other	**2,664**	2,322	**21,504**
Sub-total	**12,607**	10,555	**101,755**
Less: valuation allowance	**(2,122)**	(2,373)	**(17,127)**
Total deferred tax assets	**10,485**	8,182	**84,628**
Deferred tax liabilities	**(437)**	(31)	**(3,532)**
Net deferred tax assets	**¥10,048**	¥ 8,151	**$ 81,096**

Reconciliations between the normal effective statutory tax rate for the years ended March 31, 2001 and 2000 and the actual effective tax rate reflected in the accompanying consolidated statements of income are as follows:

	2001	2000
Normal effective statutory tax rate	**35.0%**	35.0%
Land valuation gain on prior years	**6.2**	
Tax benefits not recognized on operating losses of subsidiaries		4.0
Expenses not deductible for income tax purpose	**2.4**	2.5
Tax credit		(2.4)
Higher income tax rates applicable to subsidiaries		0.9
Other — net	**0.5**	1.9
Actual effective tax rate	**44.1%**	41.9%

9. Lease

The Companies lease certain automobiles and office equipment. Total lease payments under the above leases for the years ended March 31, 2001 and 2000 were ¥475 million ($3,835 thousand) and ¥435 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, 2001 and 2000 were as follows:

	Millions of Yen		
As of March 31, 2001	General facilities	Other	Total
Acquisition cost	**¥783**	**¥745**	**¥1,528**
Accumulated depreciation	**(681)**	**(398)**	**(1,079)**
Net leased property	**¥102**	**¥347**	**¥ 449**

As of March 31, 2001	Thousands of U.S. Dollars General facilities	Other	Total
Acquisition cost	**$ 6,317**	**$6,015**	**$12,332**
Accumulated depreciation	**(5,499)**	**(3,214)**	**(8,713)**
Net leased property	**$ 818**	**$2,801**	**$ 3,619**

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

Obligations under finance leases as of March 31, 2001 and 2000:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Due within one year	**¥222**	¥463	**$1,791**
Due after one year	**226**	298	**1,828**
Total	**¥448**	¥761	**$3,619**

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 ¥475 million ($3,835 thousand) and ¥435 million for the year ended March 31, 2001 and 2000, respectively.

The Companies are also lessor of certain automobiles and office equipment. Total lease income from the above leases for the year ended March 31, 2001 and 2000 was ¥59 million ($477 thousand) and ¥67 million, respectively.

At March 31, 2001 and 2000, summaries of the above leased property were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Other equipment:			
Acquisition cost	**¥198**	¥251	**$1,603**
Accumulated depreciation	**(123)**	(167)	**(996)**
Net leased property	**¥ 75**	¥ 84	**$ 607**

At March 31, 2001 and 2000, the total lease payments to be received from the above leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Due within one year	**¥ 54**	¥ 54	**$ 436**
Due after one year	**83**	101	**669**
Total	**¥137**	¥155	**$1,105**

10. 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 ($16,142 thousand) as of March 31, 2001.

11. 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 ¥904 million ($7,304 thousand) and ¥821 million as of March 31, 2001 and 2000, 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 should 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 share for each outstanding share and 297,508 shares were issued to shareholders of recorded on Mach 31, 1999. The aggregate par value of the share issued was transferred from additional paid-in capital to stated capital.

The Company may repurchase outstanding shares to cancel them with the resolution at the Board of Directors subject to, among the things; 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, 2001, retained earnings recorded on the Company's books was ¥49,580 million ($400,159 thousand) which is available for future dividends subject to the approval of the shareholders and legal reserve requirements.

12. Segment information

Information about operations in different industry segments of the Companies for the years ended March 31, 2001 and 2000 is as follows:

	Millions of Yen					Thousands of U.S. Dollars				
2001	Electric	Construction	Other	Elimination	Consolidated	Electric	Construction	Other	Elimination	Consolidated
Sales to customers	**¥133,945**	**¥ 3,722**	**¥ 6,130**		**¥143,797**	**$1,081,073**	**$ 30,046**	**$ 49,473**		**$1,160,592**
Intersegment sales		**17,748**	**21,755**	**¥(39,503)**			**143,246**	**175,583**	**$(318,829)**	
Total operating revenues	**133,945**	**21,470**	**27,885**	**(39,503)**	**143,797**	**1,081,073**	**173,292**	**225,056**	**(318,829)**	**1,160,592**
Operating expenses	**118,712**	**20,453**	**26,562**	**(39,165)**	**126,562**	**958,123**	**165,079**	**214,382**	**(316,098)**	**1,021,486**
Operating income	**¥ 15,233**	**¥ 1,017**	**¥ 1,323**	**¥ (338)**	**¥ 17,235**	**$ 122,950**	**$ 8,213**	**$ 10,674**	**$ (2,731)**	**$ 139,106**
Total assets	**¥386,914**	**¥13,133**	**¥33,217**	**¥(21,808)**	**¥411,456**	**$3,122,792**	**$106,002**	**$268,096**	**$(176,016)**	**$3,320,874**
Depreciation and amortization	**23,051**	**88**	**1,994**	**(957)**	**24,176**	**186,045**	**707**	**16,095**	**(7,722)**	**195,125**
Capital investments	**45,681**	**112**	**3,025**	**(1,599)**	**47,219**	**368,691**	**904**	**24,418**	**(12,910)**	**381,103**

	Millions of Yen				
2000	Electric	Construction	Other	Elimination	Consolidated
Sales to customers	¥131,571	¥ 4,642	¥ 5,607		¥141,820
Intersegment sales		20,146	21,527	¥(41,673)	
Total operating revenues	131,571	24,788	27,134	(41,673)	141,820
Operating expenses	111,700	23,113	26,450	(40,965)	120,298
Operating income	¥ 19,871	¥ 1,675	¥ 684	¥ (708)	¥ 21,522
Total assets	¥368,500	¥12,871	¥31,075	¥(19,697)	¥392,749
Depreciation and amortization	23,872	77	1,627	(889)	24,687
Capital investments	54,600	29	6,130	(1,934)	58,825

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, which are related to the electric segment.
2. The Companies do not have foreign operations.
3. No sales to foreign customers were made during the years ended March 31, 2001 and 2000.

13. Subsequent event

The following appropriations of retained earnings at March 31, 2001 were approved at the shareholders' meeting held on June 28, 2001:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥35 (28¢) per share	¥531	$4,286
Bonuses to directors and corporate auditors	68	551

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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, 2001 and 2000, 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, 2001 and 2000, 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 consistently applied during the period except for the change, with which we concur, in the accounting for interest costs, as discussed in Note 2 (b).

As discussed in Notes 2 (c) and 2 (f), effective April 1, 2000, the consolidated financial statements have been prepared in accordance with new accounting standards for employees' retirement benefits and financial instruments.

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 28, 2001

Non-Consolidated Balance Sheets

The Okinawa Electric Power Company, Incorporated
March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2000	**2001**
Assets			
Property, plant and equipment (Note 3):			
Utility plants and equipment	**¥616,684**	¥590,314	**$4,977,272**
Construction in progress (Note 11)	**86,206**	71,817	**695,770**
	702,890	662,131	**5,673,042**
Less:			
Contributions in aid of construction	**(21,688)**	(21,679)	**(175,040)**
Accumulated depreciation	**(320,473)**	(300,626)	**(2,586,547)**
	(342,161)	(322,305)	**(2,761,587)**
Net property, plant and equipment	**360,729**	339,826	**2,911,455**
Investments and other assets:			
Investment securities (Note 4)	**2,540**	2,680	**20,500**
Investments in and advances to subsidiaries and affiliates	**7,548**	7,643	**60,919**
Allowance for doubtful accounts	**(3,073)**	(3,000)	**(24,802)**
Deferred tax assets (Note 7)	**5,179**	3,833	**41,798**
Other assets	**880**	809	**7,104**
Total investments and other assets	**13,074**	11,965	**105,519**
Current assets:			
Cash and cash equivalents (Note 2 (d))	**4,480**	8,546	**36,161**
Short-term investment	**1,230**	1,168	**9,927**
Accounts receivable	**3,999**	3,345	**32,273**
Allowance for doubtful accounts	**(115)**	(94)	**(929)**
Fuel and supplies inventories	**3,067**	3,718	**24,756**
Deferred tax assets (Note 7)	**1,105**	707	**8,916**
Other current assets	**63**	51	**511**
Total current assets	**13,829**	17,441	**111,615**
Total	**¥387,632**	¥369,232	**$3,128,589**
Liabilities and shareholders' equity			
Long-term liabilities:			
Long-term debt, less current maturities (Notes 5 and 9)	**¥246,218**	¥230,518	**$1,987,233**
Liabilities for employee retirement benefits (Note 2 (f))	**14,545**	10,343	**117,395**
Other long-term liabilities		646	
Total long-term liabilities	**260,763**	241,507	**2,104,628**
Current liabilities:			
Current maturities of long-term debt (Note 5)	**26,300**	24,388	**212,270**
Commercial paper (Note 6)		5,000	
Short-term bank loan (Note 6)	**2,000**		**16,142**
Accounts payable (Note 11)	**20,155**	22,751	**162,673**
Income taxes payable (Note 7)	**2,158**	1,503	**17,413**
Accrued expenses (Note 11)	**9,442**	9,026	**76,205**
Other current liabilities	**1,601**	1,620	**12,924**
Total current liabilities	**61,656**	64,288	**497,627**
Commitment and contingent liabilities (Notes 8 and 9)			
Shareholders' equity (Notes 2 (k), 10 and 12):			
Common stock, ¥500 par value;			
Authorized — 30,000,000 shares			
Issued and outstanding — 15,172,921 shares in 2001 and 2000	**7,586**	7,586	**61,230**
Additional paid-in capital	**7,142**	7,142	**57,640**
Legal reserve	**905**	821	**7,305**
Retained earnings	**49,580**	47,888	**400,159**
Total shareholders' equity	**65,213**	63,437	**526,334**
Total	**¥387,632**	¥369,232	**$3,128,589**

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Income

The Okinawa Electric Power Company, Incorporated
Years ended March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2000	**2001**
Operating revenues	**¥133,945**	¥131,571	**$1,081,073**
Operating expenses (Notes 8 and 11):			
Fuel	**23,486**	17,983	**189,554**
Purchased power	**12,252**	13,346	**98,885**
Depreciation	**23,042**	23,862	**185,973**
Repair and maintenance	**15,861**	17,252	**128,015**
Taxes other than income taxes	**6,411**	6,013	**51,742**
Other	**37,660**	33,244	**303,954**
Total operating expenses	**118,712**	111,700	**958,123**
Operating income	**15,233**	19,871	**122,950**
Other expenses:			
Interest expense (Notes 2 (b), 3 and 5)	**9,456**	9,427	**76,323**
Provision for prior liabilities for severance payments (Note 2 (f))		2,947	
Provision for doubtful accounts		2,922	
Other — net	**916**	439	**7,399**
Net other expenses	**10,372**	15,735	**83,722**
Income before income taxes	**4,861**	4,136	**39,228**
Income taxes (Note 7):			
Current	**3,998**	3,574	**32,264**
Deferred	**(1,743)**	(2,163)	**(14,071)**
Total	**2,255**	1,411	**18,193**
Net income	**¥ 2,606**	¥ 2,725	**$ 21,035**
	Yen		U.S. Dollars
Per share of common stock (Note 2 (i)):			
Net income	**¥171.77**	¥179.61	**$1.39**
Cash dividends applicable to the year	**¥ 60.00**	¥ 50.00	**$0.48**

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Shareholders' Equity

The Okinawa Electric Power Company, Incorporated
Years ended March 31, 2001 and 2000

	Shares outstanding (Thousands)	Millions of Yen: Common stock	Additional paid-in capital	Legal reserve	Retained earnings
Balance, April 1, 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
Net income					**2,606**
Appropriations:					
Cash dividends					**(758)**
Transfer to legal reserve				**84**	**(84)**
Bonuses to directors and corporate auditors					**(72)**
Balance, March 31, 2001	**15,173**	**¥7,586**	**¥7,142**	**¥905**	**¥49,580**

	Thousands of U.S. Dollars (Note 1): Common stock	Additional paid-in capital	Legal reserve	Retained earnings
Balance, March 31, 2000	$61,230	$57,640	$6,628	$386,504
Net income				**21,035**
Appropriations:				
Cash dividends				**(6,124)**
Transfer to legal reserve			**677**	**(677)**
Bonuses to directors and corporate auditors				**(579)**
Balance, March 31, 2001	**$61,230**	**$57,640**	**$7,305**	**$400,159**

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Cash Flows

The Okinawa Electric Power Company, Incorporated
Years ended March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2000	**2001**
Operating activities:			
Income before income taxes	**¥ 4,861**	¥ 4,136	**$ 39,228**
Adjustments for:			
Income taxes paid	**(3,344)**	(4,712)	**(26,986)**
Depreciation and amortization	**23,051**	23,872	**186,045**
Provision for doubtful accounts	**94**	2,941	**761**
Provision for retirement benefits	**3,556**	2,485	**28,703**
Loss on disposal of property, plant and equipment	**664**	785	**5,362**
Devaluation loss of investment securities	**548**		**4,421**
Changes in operating assets and liabilities:			
Increase in accounts receivable	**(65)**	(105)	**(524)**
Decrease (increase) in fuel and supplies inventories	**882**	(645)	**7,125**
Decrease in other long-term liabilities		(454)	
(Decrease) increase in payables and accrued expenses	**(351)**	577	**(2,835)**
Increase (decrease) in interest payable	**33**	(68)	**269**
Other — net	**(2,433)**	2,173	**(19,644)**
Total adjustments	**22,635**	26,849	**182,697**
Net cash provided by operating activities	**27,496**	30,985	**221,925**
Investing activities:			
Purchases of utility plants	**(45,461)**	(54,205)	**(366,919)**
Purchase of investment securities	**(385)**	(1,285)	**(3,107)**
Increase in investments in and advances to subsidiaries and affiliates	**(94)**	(2,907)	**(759)**
Purchase of short-term investment	**(1,450)**	(1,988)	**(11,703)**
Proceeds from maturity of short-term investment	**1,388**	2,954	**11,203**
Other — net	**732**	62	**5,911**
Net cash used in investing activities	**(45,270)**	(57,369)	**(365,374)**
Financing activities:			
Proceeds from issuance of bonds	**17,000**	8,000	**137,208**
Proceeds from long-term debt	**25,558**	34,000	**206,280**
Repayments of long-term debt	**(24,946)**	(23,499)	**(201,336)**
Proceeds from short-term bank loans	**2,800**	4,864	**22,599**
Repayments of short-term bank loans	**(942)**	(4,722)	**(7,603)**
Proceeds from issuance of commercial paper	**5,000**	15,000	**40,355**
Repayments on maturity of commercial paper	**(10,000)**	(10,000)	**(80,710)**
Cash dividends paid	**(762)**	(756)	**(6,154)**
Net cash provided by financing activities	**13,708**	22,887	**110,639**
Net decrease in cash and cash equivalents	**(4,066)**	(3,497)	**(32,810)**
Cash and cash equivalents, beginning of year	**8,546**	12,043	**68,971**
Cash and cash equivalents, end of year	**¥ 4,480**	¥ 8,546	**$ 36,161**

See notes to non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements

The Okinawa Electric Power Company, Incorporated
Years ended March 31, 2001 and 2000

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 their 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.

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 ¥123. 90 to $1, the approximate rate of exchange at March 31, 2001. 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 in 2000 non-consolidated financial statements to conform to the presentations and classifications used in 2001.

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) Property plant and equipment

Property plant and equipment are stated at cost. Prior to April 1, 2000, the cost of property plant and equipment includes certain interest costs on the borrowed funds incurred during the construction period of the related assets. Effective April 1, 2000, interest costs have been expensed as incurred in accordance with a recent revision to the accounting regulation for electric utility companies. As a result of this accounting change income before income taxes for the year ended March 31, 2001 was approximately ¥500 million ($4,036 thousand) less than it would have been using the prior method of accounting.

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

Prior to April 1, 2000, investment securities are stated at cost determined by the moving-average method. Investment securities are written down to appropriate value if the investments have been significantly impaired in value of a permanent nature.

Effective April 1, 2000, the Company adopted a new accounting standard for financial instruments, including investment securities. Under this standard, all applicable securities are to be classified and accounted for, depending upon management's intent, as follows: i) trading securities, which are held for the purpose of earning capital gains in near term, are reported at fair value, and the related unrealized gains and losses are included in earnings, ii) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost, and iii) available-for sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The Company classified their securities as available-for-sale securities. As of March 31, 2001, all available-for-sale securities were stated at cost, pursuant to a transitional rule allowing the new valuation method for available-for sale securities to be applicable for the fiscal year beginning from April 1, 2001.

(d) Cash and cash equivalents

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

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

(e) Fuel and supplies inventories

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

(f) Severance payments and pension plan

The Company has an unfunded retirement plan for all employees. The Company also has a non-contributory funded defined benefit pension plan covering most of its employees.

Under the employees' retirement plans for the Company, prior to April 1, 2000, the annual provisions for 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. For the funded pension plan, the amounts contributed to the funds, except for prior service costs were charged to income when paid. Prior service costs were accrued when incurred.

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.

Effective April 1, 2000, the Company adopted a new accounting standard for employees' retirement benefits and accounted for the liability for employees' retirement benefits based on the projected benefit obligations and plan assets of the pension fund at the balance sheet date. The full amount of the transitional obligation of ¥4,412 million ($35,611 thousand), determined as of the beginning of year, was charged to income as operating expenses in the year ended March 31, 2001.

As a result, the net effect of the adoption of the new standard on the statement of income was to increase operating expenses by ¥3,775 million ($30,471 thousand) and to decrease income before income taxes by ¥3,775 million ($30,471 thousand) including a cumulative effect of ¥4,412 million ($35,611 thousand) for the year ended March 31, 2001.

(g) Income taxes

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 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/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 paid or incurred.

(i) Net income per share

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

(j) Lease

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

(k) Appropriation of retained earnings

Appropriation of retained earnings at each year end is reflected in the financial statements for the following year upon shareholders' approval.

3. Utility plants

The major classes of utility plants were as follows:

	Millions of Yen			
At March 31, 2001	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power generating facilities	**¥267,092**	**¥(17,122)**	**¥(167,977)**	**¥ 81,993**
Transmission facilities	**120,178**	**(2,186)**	**(47,907)**	**70,085**
Transformation facilities	**79,878**	**(348)**	**(41,742)**	**37,788**
Distribution facilities	**122,498**	**(2,009)**	**(52,217)**	**68,272**
General facilities	**27,038**	**(23)**	**(10,630)**	**16,385**
Construction in progress	**86,206**			**86,206**
Total	**¥702,890**	**¥(21,688)**	**¥(320,473)**	**¥360,729**

	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

	Thousands of U.S. Dollars			
At March 31, 2001	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power generating facilities	**$2,155,705**	**$(138,190)**	**$(1,355,746)**	**$ 661,769**
Transmission facilities	**969,957**	**(17,641)**	**(386,662)**	**565,654**
Transformation facilities	**644,697**	**(2,805)**	**(336,901)**	**304,991**
Distribution facilities	**988,683**	**(16,214)**	**(421,442)**	**551,027**
General facilities	**218,230**	**(190)**	**(85,796)**	**132,244**
Construction in progress	**695,770**			**695,770**
Total	**$5,673,042**	**$(175,040)**	**$(2,586,547)**	**$2,911,455**

Interest costs capitalized for the year ended March 31, 2000 was ¥229 million. (See note 2(b))

4. Investment securities

The excess of market value over the carrying amount of quoted securities was ¥44 million ($363 thousand) and ¥733 million at March 31, 2001 and 2000, respectively.

5. Long-term debt

Long-term debt at March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Secured bond, 0.7% to 1.91% in 2001 and 1.91% in 2000 due serially through 2010	**¥ 25,000**	¥ 8,000	**$ 201,776**
Secured loans from Okinawa Development Finance Public Corporation, 1.10% to 6.30% in 2001 and 2000, due serially through 2015	**236,370**	235,074	**1,907,749**
Unsecured loans from banks, 0.42% to 3.30% in 2001 and 0.68% to 7.50% in 2000, due serially 2014	**11,148**	11,832	**89,978**
Total	**272,518**	254,906	**2,199,503**
Less current maturity	**(26,300)**	(24,388)	**(212,270)**
Long-term debt, less current maturity	**¥246,218**	¥230,518	**$1,987,233**

All of the Company's assets are subject to certain statutory preferential rights established to secure bonds, loans received from the Okinawa Development Finance Public Corporation and bonds transferred to banks under debt assumption agreements (see Note 9).

Maturity of long-term debt outstanding at March 31, 2001 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2002	¥ 26,300	$ 212,270
2003	29,828	240,745
2004	29,605	238,945
2005	30,967	249,934
2006	26,993	217,857
2007 and thereafter	128,825	1,039,752
Total	¥272,518	$2,199,503

6. Short-term bank loan and commercial paper

Short-term bank loan was represented by 32 days unsecured note, bearing interest rate at 0.33% at March 31, 2001. At March 31, 2000, the weighted average interest rates applicable to commercial paper was 0.07%.

7. Income taxes

The Company is subject to national corporate tax and local inhabitant taxes based on income with aggregate, normal effective statutory tax rates of approximately 35% for the years ended March 31, 2001 and 2000, respectively. The tax effects of significant temporary differences, which resulted in deferred tax assets at March 31, 2001 and 2000, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Deferred tax assets:			
Allowance for doubtful accounts	**¥1,068**	¥ 981	**$ 8,620**
Pension and severance costs	**3,097**	1,448	**24,995**
Other assets	**1,448**	901	**11,680**
Other	**1,105**	1,210	**8,926**
Total deferred tax assets	**6,718**	4,540	**54,221**
Deferred tax liabilities	**(434)**		**(3,507)**
Net deferred tax assets	**¥6,284**	¥4,540	**$50,714**

Reconciliations between the normal effective statutory tax rate for the years ended March 31, 2001 and 2000 and the actual effective tax rate reflected in the accompanying non-consolidated statements of income are as follows:

	2001	2000
Normal effective statutory tax rate	**35.0%**	35.0%
Land valuation gain on prior year	**8.9**	
Expenses not deductible for income tax purpose	**2.1**	2.4
Tax credit		(1.7)
Other — net	**0.4**	(1.6)
Actual effective tax rate	**46.4%**	34.1%

8. Lease

The Company leases certain automobiles and office equipment. Total lease payments under above leases for the years ended March 31, 2001 and 2000 were ¥449 million ($3,620 thousand) and ¥445 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, 2001 and 2000 were as follows:

	Millions of Yen		
As of March 31, 2001	General facilities	Other	Total
Acquisition cost	**¥1,291**	**¥90**	**¥1,381**
Accumulated depreciation	**(869)**	**(54)**	**(923)**
Net leased property	**¥ 422**	**¥36**	**¥ 458**

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

	Thousands of U.S. Dollars		
As of March 31, 2001	General facilities	Other	Total
Acquisition cost	**$10,421**	**$724**	**$11,145**
Accumulated depreciation	**(7,013)**	**(435)**	**(7,448)**
Net leased property	**$ 3,408**	**$289**	**$ 3,697**

Obligations under finance leases as of March 31, 2001 and 2000:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Due within one year	**¥202**	¥443	**$1,634**
Due after one year	**256**	382	**2,063**
Total	**¥458**	¥825	**$3,697**

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 ¥449 million ($3,620 thousand) and ¥445 million for the years ended March 31, 2001 and 2000, respectively.

9. Contingent liabilities

At March 31, 2001, the Company was contingently liable as a guarantor for loans of a subsidiary in the amount of ¥5,300 million ($42,778 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 ($16,142 thousand) as of March 31, 2001.

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

The Company may transfer portions of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Company may also transfer portions of unappropriated retained earnings, which are available for dividends, to stated capital by resolution of 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 couldn't 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 share for each outstanding share and 297,508 shares were issued to shareholders of recorded on Mach 31, 1999. The aggregate par value of the share issued was transferred from additional paid-in capital to stated capital.

The Company may repurchase outstanding shares to cancel them with the resolution at the Board of Directors subject to, among the things; 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.

11. Related party transactions

The following is a summary of transactions and balances with subsidiaries and affiliates for the years ended March 31, 2001 and 2000:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Transactions:			
Construction cost and facilities	**¥13,510**	¥17,000	**$109,040**
Repair and other operating expenses	**24,442**	20,288	**197,276**
Balance of accounts:			
Accounts payable	**¥ 3,063**	¥ 4,143	**$ 24,721**
Accrued expenses	**4,265**	3,813	**34,422**

12. Subsequent event

The following appropriations of retained earnings at March 31, 2001 were approved at the shareholders' meeting held on June 28, 2001:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥35 (28¢) per share	¥531	$4,286
Bonuses to directors and corporate auditors	68	551
Transfer to legal reserve	60	484

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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 non-consolidated balance sheets of The Okinawa Electric Power Company, Incorporated as of March 31, 2001 and 2000, 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, 2001 and 2000, 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 consistently applied during the period except for the change, with which we concur, in the accounting for interest costs, as discussed in Note 2 (b).

As discussed in Notes 2 (c) and 2 (f), effective April 1, 2000, the non-consolidated financial statements have been prepared in accordance with new accounting standards for employees' retirement benefits and financial instruments.

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 28, 2001

Five-Year Summary

THE OKINAWA ELECTRIC POWER COMPANY, INCORPORATED
Years ended March 31

	Millions of Yen				
Financial Statistics	**2001**	2000	1999	1998	1997
For the year:					
Operating revenues	**¥133,945**	¥131,571	¥134,471	¥131,923	¥127,095
Operating expenses	**118,712**	111,700	114,677	114,179	111,851
Operating income	**15,233**	19,871	19,794	17,744	15,244
Net income	**2,606**	2,725	4,844	2,773	904
At year-end:					
Total assets	**¥387,632**	¥369,232	¥338,280	¥322,664	¥323,528
Shareholders' equity	**65,213**	63,437	59,158	55,132	53,179

Operating Statistics	**2001**	2000	1999	1998	1997
For the year:					
Electric energy sales (Millions of kWh)	**6,626**	6,558	6,616	6,126	6,006
Peak load (Thousands of kW)	**1,329**	1,322	1,337	1,242	1,256
At year-end:					
Generating capacity (Thousands of kW)	**1,456**	1,445	1,445	1,445	1,434
Transmission lines (km)	**767**	680	668	651	623
Distribution lines (km)	**10,109**	9,911	9,772	9,577	9,446

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
¥387,632 million

Number of Customers
745,723 (Includes users of both lighting and power)

Number of Employees
1,495

(As of March 31, 2001)

Power Generation Facilities

Type of Station	Number of Facilities	Generating Capacity [kW]
Steam	3	1,027,000
Gas Turbine	3	276,000
Internal Combustion	14	152,575
Total	20	1,455,575

Investor Information

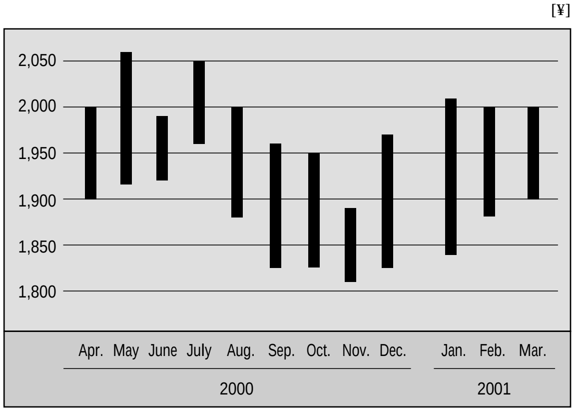
Transfer Agent and Registrar
The Mitsubishi Trust & Banking Corporation
11-1, Nagata-cho 2-chome, Chiyoda-ku, Tokyo 100-8212, Japan

Securities Traded
Tokyo Stock Exchange, Fukuoka Stock Exchange

Common Stock Issued
15,172,921 shares

Number of Shareholders
7,736

Stock Price Range on the Tokyo Stock Exchange



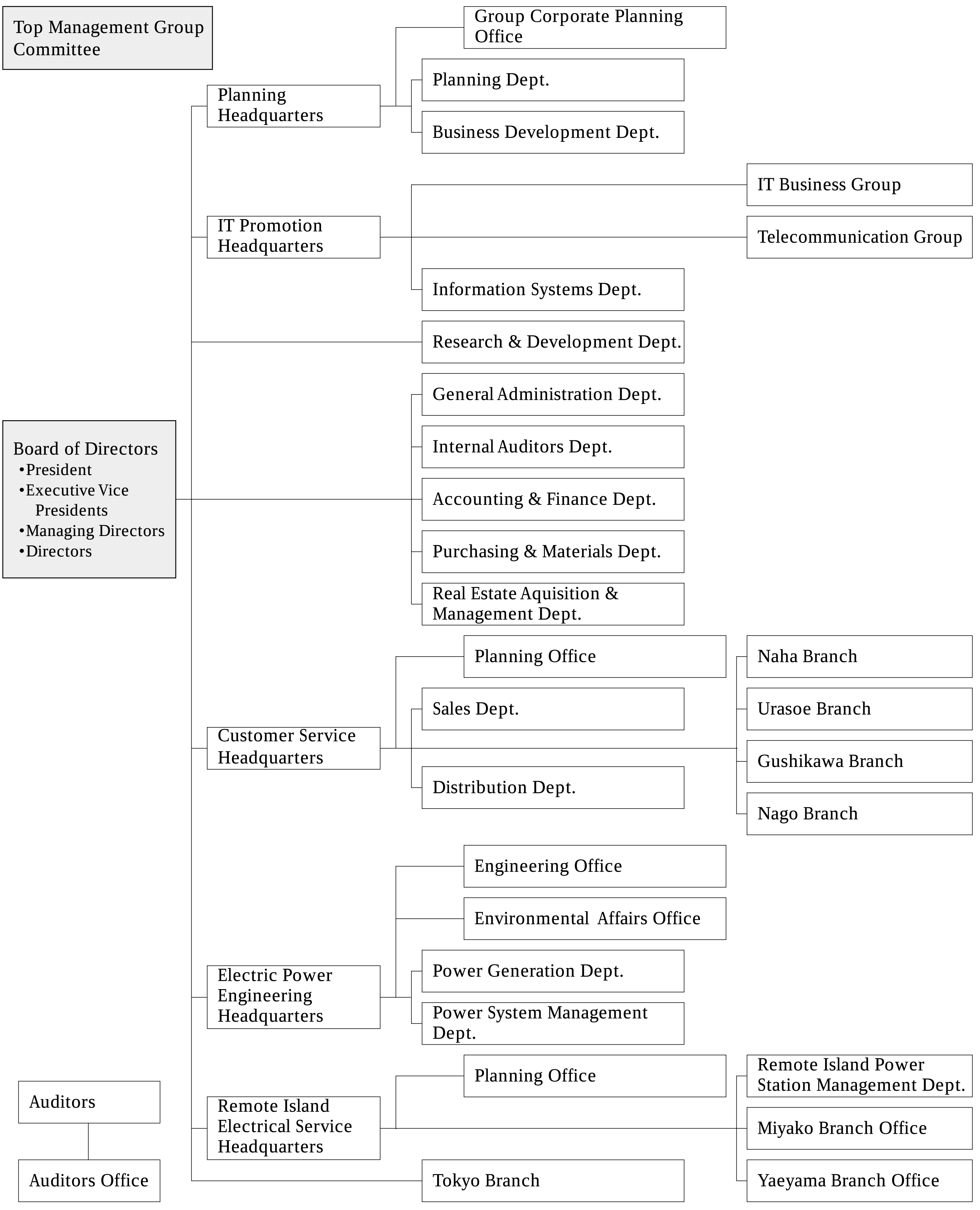
(As of March 31, 2001)

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%
Okisetsubi Company, Limited	¥20 million	Construction	48.0%

Organization Chart



(As of July 1, 2001)

Board of Directors and Auditors

(from left)

Yoshimasa Kojya
Executive Vice President

Hirokazu Nakaima
President

Sojin Toyama
Executive Vice President

Tsugiyoshi Toma
Executive Vice President

President:

Hirokazu Nakaima

Executive Vice Presidents:

Sojin Toyama

Yoshimasa Kojya

Tsugiyoshi Toma

Managing Directors:

Eizaburo Ono

Kazuhiro Nakada

Yasushi Kayamoto

Shin Kadena

Directors:

Kiyoshi Nagayama

Hajime Oota

Hiroshi Teruya

Toshihiro Iritakenishi

Ken Tamaki

Denichiro Ishimine

Non-Executive Director:

Kunio Oroku

Standing Auditors:

Choko Takamine

Yukiyasu Kinjo

External Auditors:

Kenji Kudeken

Honshin Aharen

(As of June 28, 2001)

The Okinawa Electric Power Company, Incorporated

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