

Financial Section

Consolidated Financial Review

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

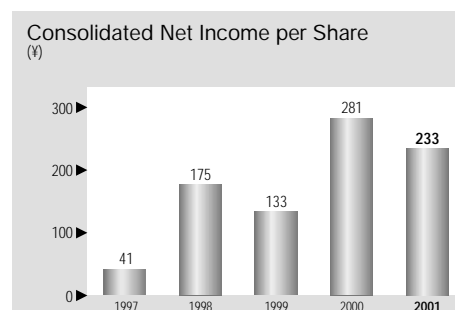
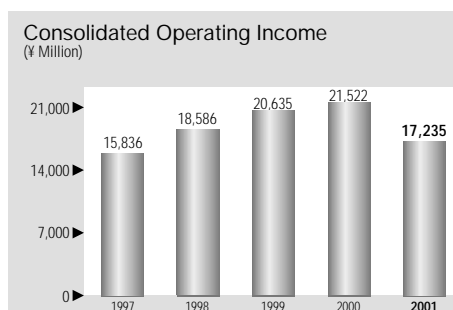
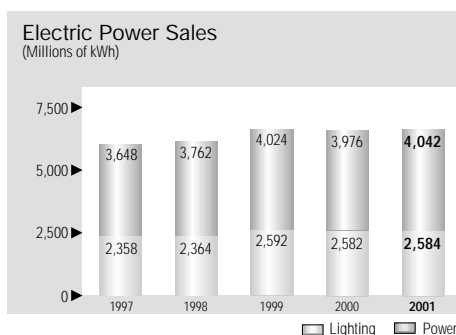
Business Performance

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



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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).

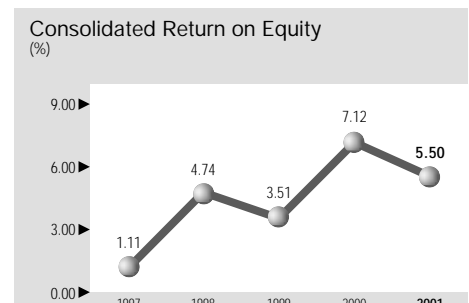
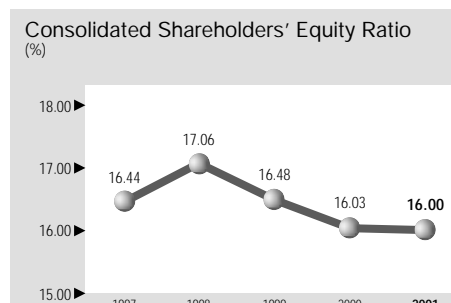
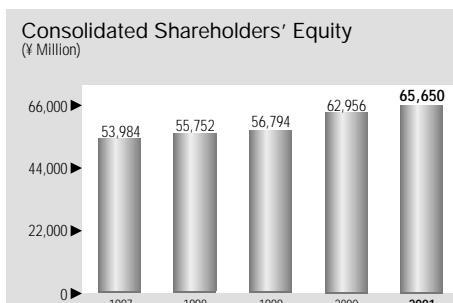
Financial Position

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

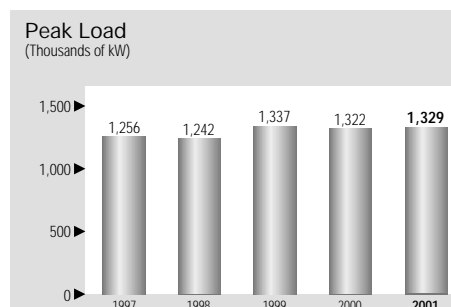
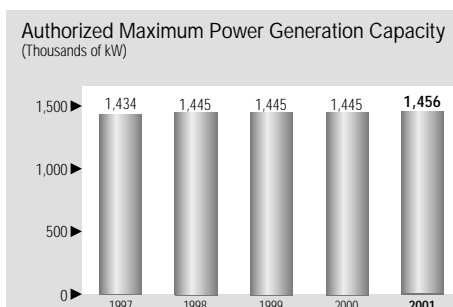
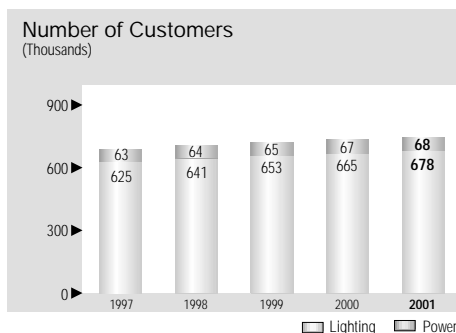
The Company's outlay on investments in large-scale construction projects has been at a high level over the past few years, but spending on these projects had already peaked out by the end of the previous term. This resulted in a decline in net cash used in investment activities during the term under 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
	<u>713,871</u>	<u>672,197</u>	<u>5,761,672</u>
Less:			
Contributions in aid of construction	(21,687)	(21,679)	(175,038)
Accumulated depreciation	(320,297)	(299,917)	(2,585,125)
	<u>(341,984)</u>	<u>(321,596)</u>	<u>(2,760,163)</u>
Net property, plant and equipment	<u>371,887</u>	<u>350,601</u>	<u>3,001,509</u>
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	<u>14,522</u>	<u>11,972</u>	<u>117,206</u>
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	<u>25,047</u>	<u>30,176</u>	<u>202,159</u>
Total	<u>¥411,456</u>	<u>¥392,749</u>	<u>\$3,320,874</u>
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	<u>276,727</u>	<u>255,896</u>	<u>2,233,475</u>
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	<u>68,067</u>	<u>73,273</u>	<u>549,368</u>
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	<u>65,650</u>	<u>62,956</u>	<u>529,861</u>
Total	<u>¥411,456</u>	<u>¥392,749</u>	<u>\$3,320,874</u>

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	<u>15,173</u>	<u>¥7,586</u>	<u>¥7,142</u>	<u>¥50,922</u>

	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	<u>\$61,230</u>	<u>\$57,640</u>	<u>\$410,991</u>

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

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

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:

At March 31, 2001	Millions of Yen			
	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

At March 31, 2001	Thousands of U.S. Dollars			
	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	<u>¥286,939</u>	<u>\$2,315,894</u>

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	<u>¥16,486</u>	<u>\$133,058</u>

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.....	<u>¥6,321</u>	<u>\$51,016</u>

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	<u>¥10,048</u>	<u>¥ 8,151</u>	<u>\$ 81,096</u>

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	<u>44.1%</u>	<u>41.9%</u>

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	<u>¥102</u>	<u>¥347</u>	<u>¥ 449</u>

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:

Other equipment:	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
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 record on March 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:

2001	Millions of Yen					Thousands of U.S. Dollars				
	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

2000	Millions of Yen				
	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	<u>15,173</u>	<u>¥7,586</u>	<u>¥7,142</u>	<u>¥905</u>	<u>¥49,580</u>

	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	<u>\$61,230</u>	<u>\$57,640</u>	<u>\$7,305</u>	<u>\$400,159</u>

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.

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			
	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
At March 31, 2001				
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			
	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
At March 31, 2000				
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			
	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
At March 31, 2001				
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		
	General facilities	Other	Total
As of March 31, 2001			
Acquisition cost	¥1,291	¥90	¥1,381
Accumulated depreciation	(869)	(54)	(923)
Net leased property	¥ 422	¥36	¥ 458

	Millions of Yen		
	General facilities	Other	Total
As of March 31, 2000			
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		
	General facilities	Other	Total
As of March 31, 2001			
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 March 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