The Okinawa Electric Power Company, Incorporated (OEPC)

Annual Report 2002

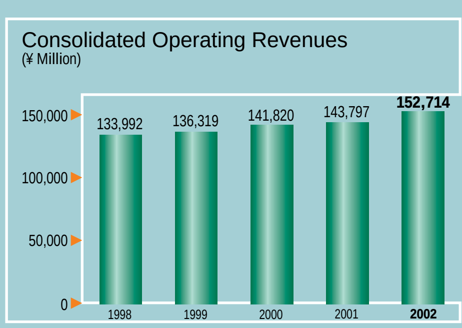
Financial Highlights (Consolidated)

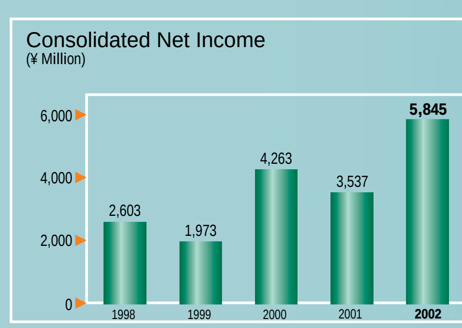
Years ended March 31, 2002 and 2001	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars 2002
For the year:			
Operating revenues	**¥152,714**	¥143,797	**$1,146,074**
Operating income	**18,887**	17,235	**141,744**
Net income	**5,845**	3,537	**43,864**
Per share of common stock (Yen and U.S. Dollars):			
Net income	**¥385.22**	¥233.08	**$2.89**
Cash dividends	**60.00**	60.00	**0.45**
At year-end:			
Total assets	**¥426,206**	¥411,456	**$3,198,542**
Total shareholders' equity	**70,261**	65,650	**527,287**

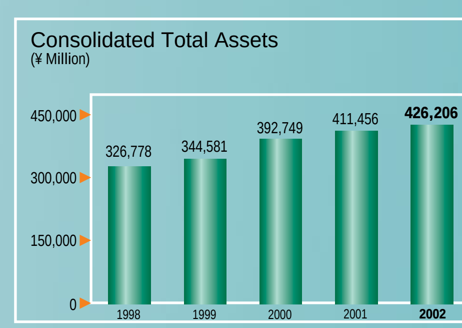
Note: The U.S. Dollar amounts represent translation of Japanese yen for convenience only at the approximate exchange rate on March 31, 2002, of ¥133.25 to $1.

Operating Highlights (Non-Consolidated)

Years ended March 31, 2002, 2001 and 2000	2002	2001	2000
For the year:			
Electric energy sales (Millions of kWh)			
Lighting	**2,728**	2,584	2,582
Power	**4,161**	4,042	3,976
Peak load (Thousands of kW)	**1,396**	1,329	1,322
At year-end:			
Number of customers:			
Lighting	**689,939**	677,925	664,986
Power	**68,322**	67,798	66,522
Generating capacity (Thousands of kW)	**1,676**	1,456	1,445
Route length of transmission lines (km):			
Overhead	**627**	607	533
Underground	**160**	160	147







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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 with a population of approximately 1.3 million, located at the southernmost tip of the Japanese archipelago. The prefecture, consisting of the main island and a number of smaller islands, frequently suffers damage from typhoons. OEPC has successfully overcome the problems of operating a power supply service under such severe geographical and meteorological conditions, and maintains a steady and reliable power supply year round to all of Okinawa's 39 inhabited islands. In May 2002, we celebrated the 30th anniversary of our founding, and it was in March of this year that the Company's shares were listed on the 1st Section of the Tokyo Stock Exchange (transferred from the 2nd Section), which reinforced our corporate position in both name and reality.

The electric power industry is now experiencing a move from partial to full-scale liberalization of the electric power retailing market, and price competition will be intensified. During this time of difficult reforms, we will do our utmost to provide stable supplies of electric power to all our customers. We at the OEPC Group will strengthen and expand business through our eleven consolidated subsidiaries, and we aim to further solidify our position as the company of choice among the prefecture's customers.

Message from the President

To come out ahead in this competitive market, we will work harder than ever to reduce costs, enhance operational efficiency, and bolster our cost competitiveness, while dealing with management issues that will help us strengthen our ability to provide services that lead to customer satisfaction.

Operating Environment and Performance

During the term under review, the economy of Okinawa failed to recover due to the stagnation in the construction industry, the decline in tourism as a result of the September 11th terrorist attacks on the United States, and the general lack of vigor in consumer spending. Amid this economic situation, however, there was an increase in the number of new home-use customers and a general increase in demand for electric power due to hotter summer months. The demand for electric power from the iron and steel industries also increased over the previous term, resulting in total electric power sales of 6,889 million kWh, an increase of 4.0% over the previous year.

During the term under review, we broke our daily peak load record three times due to record-high temperatures during the summer months. This brought about a 67,000 kW, or 5%, increase in our annual peak load, to 1,396,000 kW. To cope with the increased demand for electric power, the Company enhanced its generating capacity by improving the operational efficiency of existing facilities and starting operations, as scheduled, of the No. 1 generator at the Kin Thermal Power Station (220,000 kW: began operations in February 2002) and the No. 6 generator of the Shin-Tarama Power Station (500 kW: began operations in May 2001), thereby maintaining a stable supply of power.

Total combined operating revenues on a consolidated basis from the electric power supply business, construction business, and OEPC’s other businesses (all of which increased) rose 6.2% year-on-year to ¥152,714 million (US$1,146 million) due to increased electric power volume and to price fluctuations under the fuel cost adjustment system (under which electricity prices are revised every 3 months, reflecting fluctuations in exchange rates and oil prices). Net income came to ¥5,845 million (US$44 million), a 65.3% jump over the previous year.

In line with the Company’s policy of maintaining steady annual dividends, we declared an interim dividend of ¥30 per share, which was added to a term-end dividend of ¥30 per share, to become a total annual dividend of ¥60 (US$0.45) per share.

Principal Measures Implemented During the Term

We have encouraged our employees to put marketing needs first and persuade customers to select rate packages that promote load leveling, and we have developed marketing activities that have real relevance for the local communities.

Capital investment during the term decreased by ¥13 billion to ¥32.6 billion owing to the fact that the construction work on the Kin Thermal Power Station had been largely completed. Due to this and to careful examination of the details of the construction plans for each facility at the construction stage, we were able to reduce by ¥8.6 billion the planned figure of ¥41.2 billion.

In July 2001, the Company carried out a structural reform, introducing a system whereby Company business is managed through different headquarters. In response to the phased liberalization of the electric power market and the rapid development of information technologies, the Company is making efforts to maintain and strengthen its position in the electricity business, through thorough cost reductions and strengthened marketing capabilities, and to develop new projects that will expand the Company's profit base. Of particular note is that the Company established the Remote Island Electrical Service Headquarters, in order to centralize and improve the efficiency of the Company's remote island operations. The Company has positioned this as a step toward introducing an in-house company system, which will clarify the rights and responsibilities of each in-house company.

Hirokazu Nakaima, *President*

Future Prospects

In the current term, aiming to solidify our position as the company of choice among the prefecture's customers, we will continue to enhance our cost competitiveness, improve our services, upgrade the efficiency of our electric power supply system, and work toward environmental preservation. In fiscal 2001, we stated in our Management Efficiency Plan that we would "hold our annual capital investments down to ¥330 billion over the next 10 years." To further enhance our efficiency, we set a new goal and reduced the amount of our intended investments once more. In our 2002 Management Efficiency Plan, we stated that we will "hold our annual capital investments down to ¥300 billion over the next 10 years."

For the current term, we forecast a steady increase in the demand for electric power for home use, despite the fact that we foresee lower temperatures over the summer months this year. We forecast a 1.0% increase in demand for electric power, to a total of 6,957 million kWh. We also estimate a 3.7% decrease, to ¥147 billion (US$1,103 million), in operating revenues on a consolidated basis, and a 5.9% decrease, to ¥5.5 billion (US$41 million), in net income.

In May 2002, the Company celebrated the 30th anniversary of its founding. In this same year, our stock was upgraded to the 1st Section of the Tokyo Stock Exchange. We will continue to earn the trust of our shareholders and investors, enhance our position as the company of choice among the prefecture's customers, strive for thoroughgoing efficiency, and work to meet the expectations of all our stakeholders.

Hirokazu Nakaima
President

Important Measures for Liberalizing the Electric

With the arrival of intense price competition in the electric power business, we find ourselves in an increasingly severe business environment, and we feel an even greater need to enhance our efficiency and respond accurately and promptly to market trends. We have positioned fiscal 2002 as a year for cultivating the corporate strength to withstand any change in the business environment, as well as for establishing a new corporate mission, power supply plan, and management efficiency plan.

Strengthening Cost Competitiveness

To survive the market competition, it is essential to implement the various liberalization measures that we at OEPC have so eagerly put together and achieve a fee standard that will help us to compete with new power producers and suppliers (PPS) and private power generators. To accomplish this, we need to maintain an awareness of costs in each segment, make more effective capital investments, actively streamline and increase the efficiency of business operations, and further strengthen our cost competitiveness. More specifically, through creating more efficient facilities, we will reduce our annual capital investment to ¥300 billion or less over the next 10 years, reduce selling, general, and administrative expenses by 5%, and examine the online procurement of materials and equipment.

In July 2002, the Company introduced the aforementioned in-house company system. Due to the small size and geographic remoteness of the islands, the Company has found it difficult to conduct low-cost operations in remote island areas. However, with the newly clarified rights and responsibilities, an in-house company will carry out prompt decision-making in managing remote island operations, and aim to improve revenues through long-term self-help efforts as a highly autonomous entity.

Each and every employee will work toward improving the efficiency of operations management through such measures as promoting the centralization of back-office work through practical use of IT, working toward acquiring ISO 9001 certification for our quality management system, and introducing the managerial accounting system.


Power transmission cables linking remote islands

Creating an Efficient Electric Power Supply System

The Company is working to build an environmentally-conscious, efficient electric power supply system based on the concepts of a secure, stable power supply and reduced costs. In February 2002, the Company began operating the No. 1 generator of the Kin Thermal Power Station, an important newly-developed source of electrical energy. Work is presently under way on the No. 2 generator, with a view to starting its operation in May 2003. After the start of full-scale operations at the Kin Thermal Power Station, we will introduce as an energy source LNG, which excels in transmission system operation and has a lower environmental impact. We will develop the No. 1 generator, using LNG, by fiscal 2010, and the No. 2 generator by fiscal 2011. In developing remote island energy sources, we will review the basic designs, capacities and specifications of the equipment in use, work to lengthen the useful life of existing facilities, and postpone the full-scale development of energy sources by making effective use of mobile generators. At the same time, the Company is constructing an efficient, economical remote island electricity supply system by laying undersea cables and promoting plans to develop new energy generation systems.

Power Supply Market

Kin Thermal Power Station

With regard to distribution facilities, we are increasing the number of trunk lines and dual-routed backup systems consistent with our power supply plans, improving our transmission network, and expanding the application of methods of installation that minimize the probability of power blackouts.

Promoting Load Leveling Through Improved Marketing

We have put our energy into promoting load leveling through enhanced marketing of electric water heaters and heat-storage air conditioning systems and by encouraging people to subscribe to our new electricity rates menu, which contributes to load leveling. During the term under review, we 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 Okiden Fureai Plaza (“Okiden” is an abbreviation of the Japanese name for Okinawa Electric Power), 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, contracts for heat-storage air-conditioning systems increased by 41.9% over the previous term to 305, and due to the introduction of a rental system, the number of households using electric water heaters increased by 31.6% to 10,010 during the term under review.

As part of a new electricity rates menu, and in order to meet various needs of our customers and promote greater management efficiency, we introduced 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 and a heat-storage air-conditioning sub-contract, which provides discounts on the use of electric power air-conditioning systems during off peak times. In order to cultivate further demand for electric power, we will encourage more customers to use electric water heaters and heat-storage air-conditioning systems and offer improved consulting services based on an accurate understanding of our customers' needs.

Enhancing Corporate Value Through Groupwide Efforts

Despite the increase in demand for electric power, we expect a slow down in the growth of demand as more customers become involved in private power generation. The OEPC Group as a whole will work to cultivate and support new business and enhance the performance of the Company on a consolidated basis. Our aim is to achieve 70% of our revenues from the electricity business and 30% of our revenues from other businesses by fiscal 2010.

We expect information technology-related businesses to become one of our main businesses, second only to our electricity business. Both the national and the prefectural governments are promoting the strategic use of IT under various programs, which include the national government's "e-Japan" program and the prefectural government's "Okinawa General Administrative Information Communications Network," "Okinawa Prefecture Administrative Computerization Plan," and "e-Island Okinawa Declaration." To handle this trend accurately, the Okiden Group will more closely integrate IT-related business to provide improved, higher quality IT services.

In May 2001, our consolidated subsidiary, Okinawa Telecommunication Network entered the Internet service provider business, establishing the wholly owned subsidiary OT Net Service Co., Ltd. In July 2001, together with three other companies, including Nippon Telecom, we established the company First Riding Technology, Inc. to act as both a call center and an Internet solution center and offer a broadband wireless Internet connection service throughout the prefecture. In August 2001, six companies including Ryuseki Corporation and three OEPC Group companies established the company Progressive Energy Co., to provide energy supply services through distributed power generation.

Creating a Working Environment that Improves Staff Abilities

In this era of severe competition, we require a flexible approach to management issues and speedier decision making, and it is important for every employee to take responsibility for bringing about positive reform. With these aims in mind, the Company is pouring more energy than ever before into training human resources, building a Central Training Institute, switching to an emphasis on autonomous skill development, more effective training and use of human resources through staff reassignments, and making use of overseas study schemes and language education. In this way, we hope to train staff to strengthen their marketing ability, cultivate their self-reliance, and cope effectively with the rapidly globalizing business environment. We continue to promote the "Move 2000 Program," which provides assistance and incentives for staff to form venture companies. In the spring of 2001, two companies were established under the program – one to provide consulting services for ISO certification acquisition and the other one to provide computer network security.

Preservation of the Environment

As a part of the electric power supply industry, the Company has its eyes fixed on the trends in environmental preservation measures. All Company involvement in environmental preservation activities, whether on global or local issues, is based on the premises provided in its Environmental Preservation Action Plan. On the basis of this plan, the Company is campaigning vigorously for various measures that will contribute to lowering environmental load and pushing forward corporate activities that put the highest priority on environmental considerations.

During the term under review, the Company actively promoted the establishment of new and effective energy generation systems that are more suited to the local area, introducing the No. 1 and 2 generators at the Yonaguni Wind Power Research

Facility, which operates a hybrid system combining solar and wind power generation with new types of storage batteries. Official operations began in February 2002 at the Kin Thermal Power Station, where the Company has laid down an ideal set of environmental preservation measures faithfully following the conditions of the Environmental Preservation Agreement with the town of Kin. With regard to the No. 2 generator, which is scheduled to start operating in May 2003, the Company continues to observe the Environmental Preservation Agreement Under Construction concluded with the town of Kin, and is implementing sound environmental preservation measures.

The Company acquired ISO 14001 environmental management system certification for its Ishikawa, Gushikawa, and Makiminato Thermal Power Stations, and will maintain strict adherence to its environmental management system and make efforts to acquire certification for its other power stations and offices. While promoting the introduction of new energy generation systems, as countermeasures against global warming, and in order to reduce CO_2 emissions, the Company has adopted the use of more efficient thermal generators and is putting together a plan to introduce LNG as an energy source in the near future. The Company will also build an in-house system to support the Okinawa Green Power Fund, inaugurated in October 2000 to promote the use of new energy sources, and introduce a Renewables Portfolio Standard (RPS) system.

Contributions to Regional Society

Aware of the importance of working together with the local community for the good of the region, each and every member of staff strives to be a responsible citizen by taking active part in community activities. This is part of our overall effort to ensure that the Company enjoys the trust of the people of Okinawa Prefecture. As an important part of our continuing contribution to the community, we set aside a period of 10 days every November to encourage closer communication between our staff and the public. During this period, we hold various events and get-togethers at power stations and other facilities throughout the prefecture, in addition to public activities, volunteer work, and sports exchange events. As part of our cultural activities, we sponsor the Okiden Sugar Hall Newcomers' Concert with the aim of discovering and helping to foster promising new talent in the field of classical music. The 8th annual concert was held during the term under review. In recognition of our efforts in discovering and supporting talented young people in the arts, we were recently awarded the Year 2000 Philanthropy Prize by the Association for Corporate Support of the Arts.

We also make a contribution to the development of the local community through financing collaborative research projects at educational institutions and through cooperation with the activities of the Center for the Revitalization of Industry in the Nansei Region. Moreover, the Company plays an active part in stimulating the economy of Okinawa Prefecture through various policy proposals to and support for local authorities. In addition to the foregoing, we sponsor the Exhibition of Science Works by Schoolchildren, OEPC staff act as volunteer helpers at triathlons held on Ishigaki and Miyako Islands, and employees help cement the Company's ties with the local community by participating in festivals and other local events.

Okiden Sugar Hall Newcomers' Performance Audition

Topics

OEPC IPO on the 1st Section of the Tokyo Stock Exchange

In December 2001, OEPC submitted an application for a transfer to the 1st Section of the Tokyo Stock Exchange (TSE), and the Company's shares were upgraded in March 2002. This listing on the 1st Section of the TSE has a number of tangible and intangible merits, including greater convenience for shareholders, expanded fund procurement means, and enhanced social credibility. The year 2002 saw both the 30th anniversary of the Company's founding and its further growth and development. As an electric power supply company and a part of Japan's electric power supply industry, we will work harder than ever to provide a steady supply of electric power and maintain reasonable rates standards.

No. 1 Generator at Kin Thermal Power Station Starts Operations

The No. 1 generator at the Kin Thermal Power Station began operations in February 2002. The Company's second coal-fired generator (after the Gushikawa Thermal Power Station), with a generating capacity of 220,000 kW – the largest generating capacity for a single OEPC generator – it will become the Company's main source of energy to meet the prefecture's growing demand for electric power. After the No. 2 generator, which will have the same generating capacity, starts operating in May 2003, the Kin Thermal Power Station will have a total generating capacity of 440,000 kW.

Our Operational Base

Okinawa Prefecture, our operational base, is an island chain comprised of approximately 160 islands, located at the southernmost tip of the Japanese archipelago and scattered over an area 1,000 km from East to West and 400 km from North to South. The area developed its own distinctive culture during Ryukyu dynasty, a period which lasted from the 15th to the 19th century, as a result of the contact it had with other countries through foreign trade. Known as a leading marine resort area in Japan, Okinawa is blessed with a pleasant subtropical ocean climate and an abundance of natural beauty.

2002 is an historically significant year, since it coincides with the start of the New Okinawa Promotion Plan, based on the Law for Special Measures to Promote Okinawa, as well as the 30th anniversary of Okinawa's reversion to Japan's jurisdiction. Despite the influence of the after-effects of the terrorist attacks on the US in September 2001, this is the first year of the Promotion Plan, and the government, through its "Multimedia Island" concept, has been put its energy into attracting companies in the IT field as well as strengthening measures to promote industry, particularly tourism and the newer industries.

Amid the liberalization of the electric power supply market nationwide, OEPC has benefited from a number of special measures and provisions that were enacted for the electric power supply industry in Okinawa, based on the Law for Special Measures to Promote Okinawa, including exemption from oil tariffs as well as reduced enterprise and fixed property taxes.

Financial Section

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Business Performance

During the term under review, total operating revenues rose 6.2% year-on-year (¥8,917 million) to ¥152,714 million (US$1,146,074 thousand), while total operating expenses increased 5.7% (¥7,265 million) to ¥133,827 million (US$1,004,330 thousand). Operating income was up 9.6% (¥1,652 million) over the previous term, at ¥18,887 million (US$141,744 thousand). Net other expenses came to ¥9,285 million (US$69,685 thousand), while income before income taxes and minority interests rose 36.8% (¥2,584 million) year-on-year, to ¥9,602 million (US$72,059 thousand).

As a result of the foregoing, the Group posted a year-on-year increase in net income of 65.3% (¥2,308 million) to ¥5,845 million (US$43,864 thousand). Net income per share on a consolidated basis came to ¥385.22 (US$2.89), while the dividend per share was ¥60.00 (US$0.45).

In a breakdown of operating results by business segment, operating revenues from the sale of electric power rose 3.5% (¥4,623 million) to ¥138,568 million (US$1,039,907 thousand) as a result of the higher volume of electricity sold as well as the fuel cost-linked rate adjustment system. Operating expenses recorded a modest year-on-year rise of 2.9% (¥3,456 million) to ¥122,168 million (US$916,833 thousand) due to a steep decline in personnel expenses stemming from the non-repetition of a lump-sum amortization of transitional obligations resulting from the adoption of new standards for retirement benefits in the previous year. This was in spite of a rise in fuel costs brought on by higher fuel prices and an increase in electric power generated, as well as increased depreciation expenses accompanying the start of operations of the No. 1 generator of the Kin Thermal Power Station. As a result, operating income saw an increase of 7.7% (¥1,167 million) over the previous term, to ¥16,400 million (US$123,074 thousand).

Thanks to our efforts to strengthen sales and secure orders for public and private projects in the civil engineering, construction, and communications fields, operating revenues rose 4.8% (¥1,039 million) to ¥22,509 million (US$168,929 thousand). Operating expenses increased 6.6% (¥1,359 million) year-on-year, to ¥21,812 million (US$163,694 thousand), and operating income fell 31.5% (¥320 million) to ¥697 million (US$5,235 thousand).

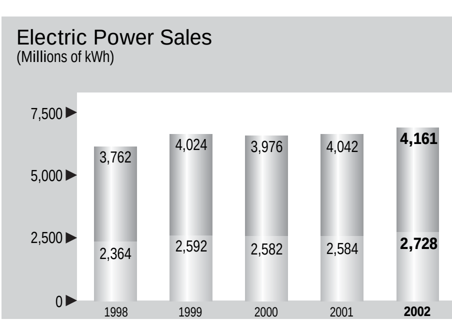
In revenues from other operations, operating revenues recorded growth of 8.2% (¥2,274 million) to ¥30,159 million (US$226,330 thousand) due to orders received for large-scale telecommunications installations. As a result of efforts to reduce costs, operating expenses in this segment rose by only 5.5% (¥1,470 million) to ¥28,032 million (US$210,369 thousand), and thus operating income recorded a strong increase of 60.8% (¥804 million) to ¥2,127 million (US$15,961 thousand).

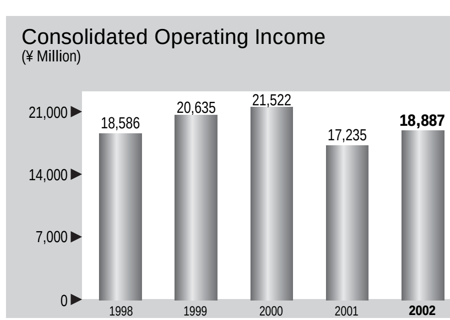
Financial Position

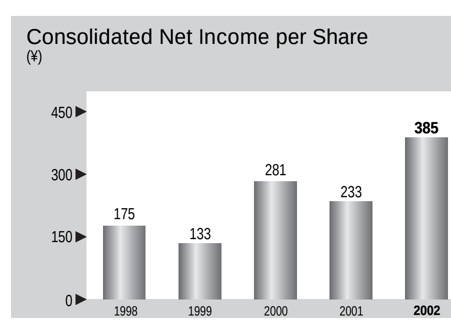
Term-end total assets were up 3.6% (¥14,750 million) over the previous term end, at ¥426,206 million (US$3,198,542 thousand).

The value of property, plant and equipment rose 1.6% (¥6,091 million) year-on-year, to ¥377,978 million (US$2,836,606 thousand). This was mainly due to increased investments as the construction of the Kin Thermal Power Station got fully underway.

Investments and other assets grew 8.9% (¥1,298 million) during the term, to ¥15,820 million (US$118,722 thousand). This increase reflects two factors: a ¥463







million increase in investments in and advances to non-consolidated subsidiaries and affiliated companies from ¥476 million in the previous term to ¥939 million (US$7,044 thousand) and an increase of ¥681 million, or 7.7%, in recognized deferred tax assets, to ¥9,499 million (US$71,290 thousand).

Current assets rose 29.4% (¥7,361 million) to ¥32,408 million (US$243,214 thousand), due to a 18.4% (¥1,803 million) year-on-year increase in cash and cash equivalents to ¥11,611 million (US$87,136 thousand) as well as a 48.5% (¥2,503 million) year-on-year increase in inventories to ¥7,666 million (US$57,532 thousand).

Current liabilities as of the term-end were up 14.2% (¥9,635 million), at ¥77,702 million (US$583,125 thousand), mainly due to the issuance of commercial paper. Long-term liabilities rose only 0.1% (¥202 million) compared with the previous term, to stand at ¥276,929 million (US$2,078,268 thousand).

Shareholders' equity at term-end was up 7.0% (¥4,611 million), at ¥70,261 million (US$527,287 thousand), principally as a result of a 9.3% (¥4,752 million) increase in retained earnings, giving a figure of ¥55,674 million (US$417,816 thousand).

Cash Flows

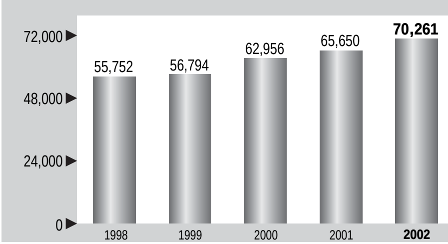
The Company's outlay on investments in large-scale construction projects such as the No. 1 and No. 2 generators at the Kin Thermal Power Station have been at a high level over the past few years, but as construction has progressed, net cash used in investing activities have decreased.

Net cash provided by operating activities decreased by 1.4% (¥413 million) to ¥28,679 million (US$215,227 thousand) due to a decrease in the provision for employee retirement benefits, despite an increase in net income before income taxes and minority interests and depreciation and amortization expenses.

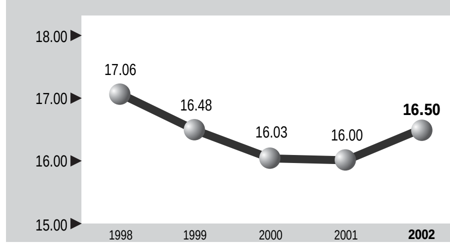
Net cash used in investing activities declined 28.6% (¥13,972 million) to ¥34,798 million (US$261,149 thousand). This was the result of a fall in outlays for the acquisition of property, plant and equipment accompanying the progress of the construction project. As a result, the free cash flow (defined as total of cash flows from operating and investing activities) came to a net outflow of ¥6,119 million, a ¥13,559 million improvement over the previous term.

Net cash provided by financing activities was down 48.1% from the previous term, at ¥7,922 million (US$59,452 thousand) due to declines in proceeds from the issuance of corporate bonds and proceeds from long-term debt, despite a net increase in proceeds from the issuance of commercial paper.

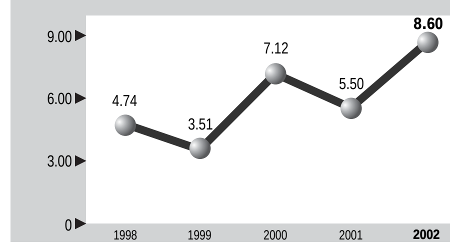
Consolidated Shareholders' Equity
(¥ Million)



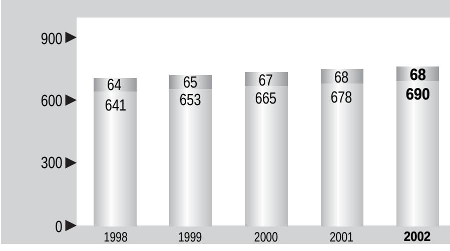
Consolidated Shareholders' Equity Ratio
(%)



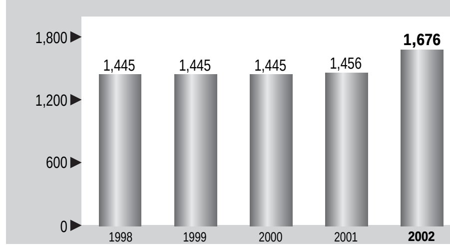
Consolidated Return on Equity
(%)



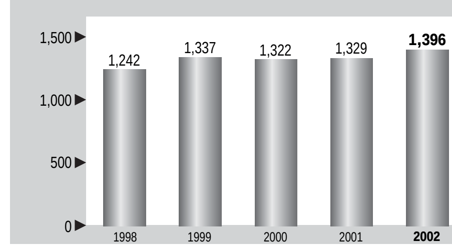
Number of Customers
(Thousands)



Authorized Maximum Power Generation Capacity
(Thousands of kW)



Peak Load
(Thousands of kW)



Consolidated Balance Sheets

March 31, 2002 and 2001	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars (Note 1) 2002
Assets			
Property, plant and equipment (Note 3):			
Utility plants	**¥674,059**	¥598,275	**$5,058,602**
Other plant and equipment	**32,341**	29,795	**242,707**
Construction in progress	**36,411**	85,801	**273,254**
	742,811	713,871	**5,574,563**
Less:			
Contributions in aid of construction	**(21,758)**	(21,687)	**(163,288)**
Accumulated depreciation	**(343,075)**	(320,297)	**(2,574,669)**
	(364,833)	(341,984)	**(2,737,957)**
Net property, plant and equipment	**377,978**	371,887	**2,836,606**
Investments and other assets:			
Investment securities (Note 4)	**3,246**	2,760	**24,361**
Investments in and advances to non-consolidated subsidiaries and affiliates	**939**	476	**7,044**
Deferred tax assets (Note 8)	**9,499**	8,818	**71,290**
Other assets	**2,440**	2,586	**18,309**
Allowance for doubtful accounts	**(304)**	(118)	**(2,282)**
Total investments and other assets	**15,820**	14,522	**118,722**
Current assets:			
Cash and cash equivalents	**11,611**	9,808	**87,136**
Short-term investment	**1,640**	1,960	**12,308**
Trade notes and accounts receivable, less allowance for doubtful accounts of ¥184 ($1,378) — 2002, ¥134 — 2001	**9,783**	6,165	**73,424**
Inventories	**7,666**	5,163	**57,532**
Deferred tax assets (Note 8)	**1,152**	1,230	**8,643**
Other current assets	**556**	721	**4,171**
Total current assets	**32,408**	25,047	**243,214**
Total	**¥426,206**	¥411,456	**$3,198,542**
Liabilities and shareholders' equity			
Long-term liabilities:			
Long-term debt, less current maturities (Note 5)	**¥260,108**	¥259,638	**$1,952,032**
Liabilities for employee retirement benefits (Note 7)	**16,404**	16,486	**123,109**
Other long-term liabilities	**417**	603	**3,127**
Total long-term liabilities	**276,929**	276,727	**2,078,268**
Current liabilities:			
Current maturities of long-term debt (Note 5)	**31,040**	27,301	**232,943**
Commercial paper (Note 6)	**2,000**		**15,009**
Short-term bank loans (Note 6)	**5,050**	2,340	**37,899**
Trade notes and accounts payable	**26,800**	26,223	**201,128**
Income taxes payable (Note 8)	**1,820**	2,896	**13,654**
Accrued expenses	**8,159**	7,376	**61,234**
Other current liabilities	**2,833**	1,931	**21,258**
Total current liabilities	**77,702**	68,067	**583,125**
Minority interests	**1,314**	1,012	**9,862**
Commitment and contingent liabilities (Notes 9 and 10)			
Shareholders' equity (Notes 2 (k), 11 and 13):			
Common stock, Authorized — 30,000,000 shares Issued and outstanding — 15,172,921 shares (2002 and 2001)	**7,586**	7,586	**56,934**
Additional paid-in capital	**7,142**	7,142	**53,596**
Retained earnings	**55,674**	50,922	**417,816**
Unrealized loss on available-for-sale securities (Note 2 (c))	**(139)**		**(1,046)**
Treasury stock, at cost — 788 shares (2002) and 30 shares (2001)	**(2)**	—	**(13)**
Total shareholders' equity	**70,261**	65,650	**527,287**
Total	**¥426,206**	¥411,456	**$3,198,542**

See notes to consolidated financial statements.

Consolidated Statements of Income

Years ended March 31, 2002 and 2001	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars (Note 1) 2002
Operating revenues:			
Electric	**¥138,568**	¥133,945	**$1,039,907**
Other	**14,146**	9,852	**106,167**
Total operating revenues	**152,714**	143,797	**1,146,074**
Operating expenses (Notes 7 and 9):			
Electric	**120,842**	117,033	**906,882**
Other	**12,985**	9,529	**97,448**
Total operating expenses	**133,827**	126,562	**1,004,330**
Operating income	**18,887**	17,235	**141,744**
Other expenses:			
Interest expense (Notes 2 (b), 5 and 6)	**8,986**	9,746	**67,442**
Other — net	**299**	471	**2,243**
Net other expenses	**9,285**	10,217	**69,685**
Income before income taxes and minority interests	**9,602**	7,018	**72,059**
Income taxes (Note 8):			
Current	**3,959**	4,957	**29,713**
Deferred	**(525)**	(1,863)	**(3,939)**
Total	**3,434**	3,094	**25,774**
Income before minority interests	**6,168**	3,924	**46,285**
Minority interests in net income	**323**	387	**2,421**
Net income	**¥ 5,845**	¥ 3,537	**$ 43,864**
	Yen		U.S. Dollars
Per share of common stock (Note 2 (i)):			
Net income	**¥385.22**	¥233.08	**$2.89**
Cash dividends applicable to the year	**60.00**	60.00	**0.45**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Years ended March 31, 2002 and 2001	Shares outstanding (Thousands)	Millions of Yen: Common stock	Additional paid-in capital	Retained earnings	Unrealized loss on available-for-sale securities	Treasury stock
Balance, April 1, 2000	15,173	¥7,586	¥7,142	¥48,228		¥—
Adjustment of retained earnings for newly consolidated subsidiaries				17		
Appropriations:						
Cash dividends				(759)		
Bonuses to directors and corporate auditors				(101)		
Net income				3,537		
Balance, March 31, 2001	15,173	7,586	7,142	50,922		—
Appropriations:						
Cash dividends				**(986)**		
Bonuses to directors and corporate auditors				**(107)**		
Net increase in treasury stock (758 shares)						**(2)**
Unrealized loss on available-for-sale securities (Note 2 (c))					**¥(139)**	
Net income				**5,845**		
Balance, March 31, 2002	**15,173**	**¥7,586**	**¥7,142**	**¥55,674**	**¥(139)**	**¥(2)**

	Thousands of U.S. Dollars (Note 1): Common stock	Additional paid-in capital	Retained earnings	Unrealized loss on available-for-sale securities	Treasury stock
Balance, March 31, 2001	$56,934	$53,596	$382,152		$—
Appropriations:					
Cash dividends			**(7,402)**		
Bonuses to directors and corporate auditors			**(798)**		
Net increase in treasury stock (758 shares)					**(13)**
Unrealized loss on available-for-sale securities (Note 2 (c))				**$(1,046)**	
Net income			**43,864**		
Balance, March 31, 2002	**$56,934**	**$53,596**	**$417,816**	**$(1,046)**	**$(13)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2002 and 2001	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars (Note 1) 2002
Operating activities:			
Income before income taxes and minority interests	**¥ 9,602**	¥ 7,018	**$ 72,059**
Adjustments for:			
Income taxes paid	**(5,036)**	(4,683)	**(37,793)**
Depreciation and amortization	**26,551**	24,176	**199,259**
Provision for employee retirement benefits	**(82)**	3,938	**(613)**
Loss on disposal of property, plant and equipment	**1,102**	692	**8,270**
Changes in operating assets and liabilities:			
(Increase) decrease in trade notes and accounts receivable	**(3,897)**	1,038	**(29,249)**
(Increase) decrease in inventories	**(2,385)**	1,253	**(17,900)**
Increase (decrease) in trade notes and accounts payables	**3,114**	(1,846)	**23,369**
Decrease in interest payable	**(115)**	(26)	**(859)**
Other — net	**(175)**	(2,468)	**(1,316)**
Total adjustments	**19,077**	22,074	**143,168**
Net cash provided by operating activities	**28,679**	29,092	**215,227**
Investing activities:			
Purchase of property, plant and equipment	**(34,527)**	(46,999)	**(259,114)**
Proceeds from sale of property, plant and equipment	**440**	660	**3,305**
Purchase of investment securities	**(679)**	(223)	**(5,095)**
Increase in investments in advances to unconsolidated subsidiaries and affiliates	**(343)**	(186)	**(2,575)**
Purchase of short-term investment	**(2,610)**	(2,160)	**(19,587)**
Proceeds from maturity of short-term investment	**2,930**	1,453	**21,989**
Other — net	**(9)**	(1,315)	**(72)**
Net cash used in investing activities	**(34,798)**	(48,770)	**(261,149)**
Financing activities:			
Proceeds from issuance of bonds	**12,000**	17,000	**90,056**
Proceeds from long-term debt	**19,710**	27,760	**147,917**
Repayments of long-term debt	**(27,257)**	(25,016)	**(204,552)**
Proceeds from short-term bank loans	**5,065**	4,499	**38,011**
Repayments of short-term bank loans	**(2,354)**	(2,960)	**(17,669)**
Proceeds from issuance of commercial paper	**20,000**	5,000	**150,094**
Repayments on maturity of commercial paper	**(18,000)**	(10,000)	**(135,084)**
Cash dividends paid	**(986)**	(758)	**(7,401)**
Other — net	**(256)**	(252)	**(1,920)**
Net cash provided by financing activities	**7,922**	15,273	**59,452**
Net increase (decrease) in cash and cash equivalents	**1,803**	(4,405)	**13,530**
Cash and cash equivalents of newly consolidated subsidiaries, beginning of year		177	
Cash and cash equivalents, beginning of year	**9,808**	14,036	**73,606**
Cash and cash equivalents, end of year	**¥11,611**	¥ 9,808	**$ 87,136**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended March 31, 2002 and 2001

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 Financing Reporting 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 ¥133.25 to $1, the approximate rate of exchange at March 31, 2002. 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 the 2001 consolidated financial statements to conform to the presentations and classifications used in 2002.

2. Summary of significant accounting policies

(a) Consolidation

The consolidated financial statements for the years ended March 31, 2002 and 2001 include the accounts of the Company and its eleven significant subsidiaries.

Under the control or influence concept, those companies in which the Parent, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Companies has the ability to exercise significant influence are accounted for by the equity method. 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.

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. Interest costs on the borrowed funds incurred during the construction period of the assets have been expensed as incurred in accordance with a recent revision to the accounting regulations for electric utility companies.

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 mainly on the declining-balance method over the estimated useful lives of the assets.

(c) Investment securities

Under the new accounting standards for financial instruments, including investment securities, 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 the 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.

The effect of the application of the new standard was to decrease investment securities by ¥221 million ($1,662 thousand) and to increase long-term deferred tax assets by ¥78 million ($588 thousand) as of March 31, 2002.

(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.

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, determined as of April 1, 2000, was charged to income as operating expenses in the year ended March 31, 2001.

(g) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. 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) Appropriations of retained earnings

Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

3. Property, plant and equipment

The major classes of property, plant and equipment as of March 31, 2002 and 2001, consisted of the following:

	Millions of Yen			
At March 31, 2002	Original Cost	Contributions in Aid of Construction	Accumulated Depreciation	Carrying Value
Thermal power generating facilities	**¥331,308**	**¥(17,100)**	**¥(177,409)**	**¥136,799**
Transmission facilities	**116,833**	**(2,203)**	**(49,557)**	**65,073**
Transformation facilities	**80,103**	**(338)**	**(42,932)**	**36,833**
Distribution facilities	**120,916**	**(2,093)**	**(52,987)**	**65,836**
General facilities	**24,899**	**(24)**	**(10,487)**	**14,388**
Utility plants	**674,059**	**(21,758)**	**(333,372)**	**318,929**
Other plant and equipment	**32,341**		**(9,703)**	**22,638**
Construction in progress	**36,411**			**36,411**
Total	**¥742,811**	**¥(21,758)**	**¥(343,075)**	**¥377,978**

	Millions of Yen			
At March 31, 2001	Original Cost	Contributions in Aid of Construction	Accumulated Depreciation	Carrying Value
Thermal power generating facilities	¥264,352	¥(17,121)	¥(166,348)	¥ 80,883
Transmission facilities	115,124	(2,185)	(45,486)	67,453
Transformation facilities	77,252	(348)	(40,444)	36,460
Distribution facilities	117,068	(2,010)	(50,264)	64,794
General facilities	24,479	(23)	(9,689)	14,767
Utility plants	598,275	(21,687)	(312,231)	264,357
Other plant and equipment	29,795		(8,066)	21,729
Construction in progress	85,801			85,801
Total	¥713,871	¥(21,687)	¥(320,297)	¥371,887

	Thousands of U.S. Dollars			
At March 31, 2002	Original Cost	Contributions in Aid of Construction	Accumulated Depreciation	Carrying Value
Thermal power generating facilities	**$2,486,358**	**$(128,331)**	**$(1,331,396)**	**$1,026,631**
Transmission facilities	**876,794**	**(16,534)**	**(371,911)**	**488,349**
Transformation facilities	**601,156**	**(2,539)**	**(322,194)**	**276,423**
Distribution facilities	**907,438**	**(15,709)**	**(397,651)**	**494,078**
General facilities	**186,856**	**(175)**	**(78,700)**	**107,981**
Utility plants	**5,058,602**	**(163,288)**	**(2,501,852)**	**2,393,462**
Other plant and equipment	**242,707**		**(72,817)**	**169,890**
Construction in progress	**273,254**			**273,254**
Total	**$5,574,563**	**$(163,288)**	**$(2,574,669)**	**$2,836,606**

4. Investment securities

The carrying amounts and aggregate fair values of investment securities at March 31, 2002 and 2001, were as follows:

	Millions of Yen			
At March 31, 2002	Cost (Carrying amount)	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥2,521**	**¥128**	**¥349**	**¥2,300**
Debt securities	**20**	**—**	**—**	**20**
Total	**¥2,541**	**¥128**	**¥349**	**¥2,320**

	Millions of Yen			
At March 31, 2001	Cost (Carrying amount)	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, 2002	Cost (Carrying amount)	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$18,919**	**$955**	**$2,620**	**$17,254**
Debt securities	**150**	**3**		**153**
Total	**$19,069**	**$958**	**$2,620**	**$17,407**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2002 and 2001 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Available-for-sale:			
Equity securities	**¥926**	¥812	**$6,954**
Total	**¥926**	¥812	**$6,954**

The carrying values of debt securities by contractual maturities of securities classified as available-for-sale at March 31, 2002 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less		
Due after one year through five years	¥20	$154
Due after five years through ten years		
Due after ten years		
Total	¥20	$154

5. Long-term debt

Long-term debt at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Secured bond, 0.3% to 1.97% in 2002 and 0.7% to 1.91% in 2001, due serially through 2010	**¥ 37,000**	¥ 25,000	**$ 277,673**
Secured loans from Okinawa Development Finance Public Corporation, 1.10% to 6.30% in 2002 and 2001, due serially through 2024	**234,718**	241,279	**1,761,489**
Secured and unsecured loans from banks, 0.43% to 3.10% in 2002 and 0.42% to 3.40% in 2001, due serially through 2016	**18,280**	19,265	**137,181**
Secured debt with a leasing company, semi-annual payment of ¥144 million ($1,079 thousand) with interest, maturity in 2005 and 2008	**1,150**	1,395	**8,632**
Total	**291,148**	286,939	**2,184,975**
Less current maturity	**(31,040)**	(27,301)	**(232,943)**
Long-term debt, less current maturity	**¥260,108**	¥259,638	**$1,952,032**

All of the Company's assets are subject to certain statutory preferential rights established to secure bonds, loans from the Okinawa Development Finance Public Corporation and banks, and bonds transferred to banks under debt assumption agreements (see Note 10). Certain assets of the consolidated subsidiaries, amounting to ¥11,374 million ($85,358 thousand), are pledged as collateral for a portion of the long-term debt as of March 31, 2002.

Maturities of long-term debt outstanding at March 31, 2002 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2003	¥ 31,040	$ 232,943
2004	32,780	246,007
2005	34,688	260,322
2006	29,723	223,066
2007	37,614	282,279
2008 and thereafter	125,303	940,358
Total	¥291,148	$2,184,975

6. Commercial paper and short-term bank loans

At March 31, 2002, the weighted average interest rates applicable to commercial paper and short-term bank loans were 0.04% and 0.41% respectively.

7. Employee retirement benefits

Under the pension plan, employees terminate their employment are, in 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.

The liability (assets) for employees' retirements benefit at March 31, 2002 and 2001 consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Projected benefit obligation	**¥25,553**	¥25,630	**$191,766**
Fair value of pension assets	**(8,307)**	(8,082)	**(62,339)**
Unrecognized actuarial loss	**(842)**	(1,062)	**(6,318)**
Net liability for retirement benefits	**¥16,404**	¥16,486	**$123,109**

The components of net periodic retirement benefit costs for the years ended March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Service cost	**¥1,297**	¥1,287	**$ 9,736**
Interest cost	**682**	689	**5,118**
Expected return on plan assets		(303)	
Amortization of transitional obligation		4,648	
Recognized actuarial loss	**392**		**2,940**
Net periodic retirement benefit costs	**¥2,371**	¥6,321	**$17,794**

Assumptions for actuarial computations for the years ended March 31, 2002 and 2001 were set forth as follows:

	2002	2001
Discount rate	**3.0%**	3.0%
Expected rate of return on plan assets	**0.0%**	4.0%
Recognition period of actuarial gain/loss	**primarily 5 years**	primarily 5 years
Amortization period of transitional obligation		1 year

8. Income taxes

The Companies are subject to several taxes based on income. For the years ended March 31, 2002 and 2001, 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, 2002 and 2001, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Deferred tax assets:			
Unrealized profit	**¥ 4,287**	¥ 4,296	**$32,174**
Tax loss carry forwards	**1,382**	2,122	**10,369**
Pension and severance costs	**3,733**	3,525	**28,012**
Other	**3,099**	2,686	**23,259**
Sub-total	**12,501**	12,629	**93,814**
Less: valuation allowance	**(1,391)**	(2,122)	**(10,438)**
Total deferred tax assets	**11,110**	10,507	**83,376**
Deferred tax liabilities	**(459)**	(459)	**(3,443)**
Net deferred tax assets	**¥10,651**	¥10,048	**$79,933**

Reconciliations between the normal effective statutory tax rate for the years ended March 31, 2002 and 2001 and the actual effective tax rate reflected in the accompanying consolidated statements of income were as follows:

	2002	2001
Normal effective statutory tax rate	**35.0%**	35.0%
Land valuation gain on prior years		6.2
Expenses not deductible for income tax purposes	**4.6**	2.4
Investment tax credits	**(2.9)**	
Other–net	**(0.9)**	0.5
Actual effective tax rate	**35.8%**	44.1%

9. Lease

The Companies lease certain automobiles and office equipment. Total lease payments under the above leases for the years ended March 31, 2002 and 2001 were ¥319 million ($2,396 thousand) and ¥475 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, 2002 and 2001 were as follows:

	Millions of Yen		
As of March 31, 2002	General Facilities	Other	Total
Acquisition cost	**¥1,551**	**¥507**	**¥2,058**
Accumulated depreciation	**(120)**	**(295)**	**(415)**
Net leased property	**¥1,431**	**¥212**	**¥1,643**

	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

	Thousands of U.S. Dollars		
As of March 31, 2002	General Facilities	Other	Total
Acquisition cost	**$11,638**	**$3,804**	**$15,442**
Accumulated depreciation	**(899)**	**(2,210)**	**(3,109)**
Net leased property	**$10,739**	**$1,594**	**$12,333**

Obligations under finance leases as of March 31, 2002 and 2001:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Due within one year	**¥ 483**	¥222	**$ 3,625**
Due after one year	**1,160**	226	**8,708**
Total	**¥1,643**	¥448	**$12,333**

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 ¥319 million ($2,396 thousand) and ¥475 million for the years ended March 31, 2002 and 2001, respectively.

The Companies are also lessor of certain automobiles and office equipment. Total lease income from the above leases for the years ended March 31, 2002 and 2001 was ¥66 million ($493 thousand) and ¥59 million, respectively.

At March 31, 2002 and 2001, summaries of the above leased property were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Other equipment:			
Acquisition cost	**¥245**	¥198	**$1,839**
Accumulated depreciation	**(148)**	(123)	**(1,112)**
Net leased property	**¥ 97**	¥ 75	**$ 727**

At March 31, 2002 and 2001, the total lease payments to be received from the above leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Due within one year	**¥ 58**	¥ 54	**$ 436**
Due after one year	**100**	83	**669**
Total	**¥158**	¥137	**$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 ($15,009 thousand) as of March 31, 2002.

11. Shareholders' equity

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001.

Prior to October 1, 2001, the Code required at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to additional paid-in capital. Effective October 1, 2001, the Code was revised and common stock par values were eliminated resulting in all shares being recorded with no par value.

Prior to October 1, 2001, the Code also provided that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 25% of stated capital. Effective October 1, 2001, the revised Code allows for such appropriations to be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 25% of stated capital. The amount of total additional paid-in capital and legal reserve which exceeds 25% of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends. The Company's legal reserve amount, which is included in retained earnings, totals ¥965 million ($7,242 thousand) and ¥905 million as of March 31, 2002 and 2001, respectively. Under the Code, companies may issue new common shares to existing shareholders without consideration as a stock split pursuant to a resolution of the Board of Directors. Prior to October 1, 2001, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split could not be less than ¥500. The revised Code eliminated this restriction.

Prior to October 1, 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective October 1, 2001, the Code eliminated these restrictions allowing companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders' meeting and dispose of such treasury stock by resolution of the Board of Directors after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amounts of stated capital, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders' meeting.

The Code permits companies to transfer a portion of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits companies to transfer a portion of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

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, 2002, retained earnings recorded on the Company's books was ¥53,139 million ($398,790 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, 2002 and 2001 is as follows:

	Millions of Yen					Thousands of U.S. Dollars				
2002	Electric	Construction	Other	Elimination	Consolidated	Electric	Construction	Other	Elimination	Consolidated
Sales to customers	**¥138,568**	**¥ 6,893**	**¥ 7,253**		**¥152,714**	**$1,039,907**	**$ 51,736**	**$ 54,431**		**$1,146,074**
Intersegment sales		**15,616**	**22,906**	**¥(38,522)**			**117,193**	**171,899**	**$(289,092)**	
Total operating revenues	**138,568**	**22,509**	**30,159**	**(38,522)**	**152,714**	**1,039,907**	**168,929**	**226,330**	**(289,092)**	**1,146,074**
Operating expenses	**122,168**	**21,812**	**28,032**	**(38,185)**	**133,827**	**916,833**	**163,694**	**210,369**	**(286,566)**	**1,004,330**
Operating income	**¥ 16,400**	**¥ 697**	**¥ 2,127**	**¥ (337)**	**¥ 18,887**	**$ 123,074**	**$ 5,235**	**$ 15,961**	**$ (2,526)**	**$ 141,744**
Total assets	**¥393,657**	**¥16,857**	**¥35,386**	**¥(19,694)**	**¥426,206**	**$2,954,275**	**$126,503**	**$265,563**	**$(147,799)**	**$3,198,542**
Depreciation and amortization	**25,252**	**81**	**2,160**	**(942)**	**26,551**	**189,510**	**608**	**16,211**	**(7,070)**	**199,259**
Capital investments	**32,593**	**373**	**3,013**	**(1,143)**	**34,836**	**244,604**	**2,796**	**22,610**	**(8,575)**	**261,435**

	Millions of Yen				
2001	Electric	Construction	Other	Elimination	Consolidated
Sales to customers	¥133,945	¥ 3,722	¥ 6,130		¥143,797
Intersegment sales		17,748	21,755	¥(39,503)	
Total operating revenues	133,945	21,470	27,885	(39,503)	143,797
Operating expenses	118,712	20,453	26,562	(39,165)	126,562
Operating income	¥ 15,233	¥ 1,017	¥ 1,323	¥ (338)	¥ 17,235
Total assets	¥386,914	¥13,133	¥33,217	¥(21,808)	¥411,456
Depreciation and amortization	23,051	88	1,994	(957)	24,176
Capital investments	45,681	112	3,025	(1,599)	47,219

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, 2002 and 2001.

13. Subsequent event

The following appropriations of retained earnings at March 31, 2002 were approved at the shareholders' meeting held on June 27, 2002:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30 (23¢) per share	¥455	$3,416
Bonuses to directors and corporate auditors	72	541

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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, 2002 and 2001, 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, 2002 and 2001, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 27, 2002

Non-Consolidated Balance Sheets

March 31, 2002 and 2001	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars (Note 1) 2002
Assets			
Property, plant and equipment (Note 3):			
Utility plants and equipment	**¥693,865**	¥616,684	**$5,207,244**
Construction in progress (Note 11)	**36,772**	86,206	**275,963**
	730,637	702,890	**5,483,207**
Less:			
Contributions in aid of construction	**(21,758)**	(21,688)	**(163,290)**
Accumulated depreciation	**(342,478)**	(320,473)	**(2,570,190)**
	(364,236)	(342,161)	**(2,733,480)**
Net property, plant and equipment	**366,401**	360,729	**2,749,727**
Investments and other assets:			
Investment securities (Note 4)	**2,964**	2,540	**22,244**
Investments in and advances to subsidiaries and affiliates	**8,032**	7,548	**60,278**
Deferred tax assets (Note 7)	**5,756**	5,179	**43,199**
Other assets	**815**	880	**6,113**
Allowance for doubtful accounts	**(3,221)**	(3,073)	**(24,172)**
Total investments and other assets	**14,346**	13,074	**107,662**
Current assets:			
Cash and cash equivalents	**6,655**	4,480	**49,943**
Short-term investment	**1,000**	1,230	**7,505**
Trade accounts receivable, less allowance for doubtful accounts of ¥156 ($1,175) — 2002, ¥115 — 2001	**4,329**	3,884	**32,485**
Fuel and supplies inventories	**5,272**	3,067	**39,563**
Deferred tax assets (Note 7)	**905**	1,105	**6,795**
Other current assets	**86**	63	**648**
Total current assets	**18,247**	13,829	**136,939**
Total	**¥398,994**	¥387,632	**$2,994,328**
Liabilities and shareholders' equity			
Long-term liabilities:			
Long-term debt, less current maturities (Note 5)	**¥247,390**	¥246,218	**$1,856,584**
Liabilities for employee retirement benefits	**14,298**	14,545	**107,306**
Total long-term liabilities	**261,688**	260,763	**1,963,890**
Current liabilities:			
Current maturities of long-term debt (Note 5)	**29,828**	26,300	**223,852**
Commercial paper (Note 6)	**2,000**		**15,009**
Short-term bank loan (Note 6)	**5,000**	2,000	**37,524**
Trade accounts payable (Note 11)	**19,200**	20,155	**144,092**
Income taxes payable (Note 7)	**821**	2,158	**6,160**
Accrued expenses (Note 11)	**9,750**	9,442	**73,168**
Other current liabilities	**1,875**	1,601	**14,071**
Total current liabilities	**68,474**	61,656	**513,876**
Commitment and contingent liabilities (Notes 8 and 9)			
Shareholders' equity (Notes 2 (k), 10 and 12):			
Common stock,			
Authorized — 30,000,000 shares			
Issued and outstanding — 15,172,921 shares (2002 and 2001)	**7,586**	7,586	**56,934**
Additional paid-in capital	**7,142**	7,142	**53,596**
Legal reserve	**965**	905	**7,242**
Retained earnings	**53,273**	49,580	**399,795**
Unrealized loss on available-for-sale securities (Note 2 (c))	**(132)**		**(992)**
Treasury stock, at cost 788 shares (2002) (Note 2 (l))	**(2)**		**(13)**
Total shareholders' equity	**68,832**	65,213	**516,562**
Total	**¥398,994**	¥387,632	**$2,994,328**

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Income

Years ended March 31, 2002 and 2001	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars (Note 1) 2002
Operating revenues	**¥138,568**	¥133,945	**$1,039,907**
Operating expenses (Notes 8 and 11):			
Fuel	**26,798**	23,486	**201,115**
Purchased power	**12,668**	12,252	**95,067**
Depreciation	**25,244**	23,042	**189,448**
Repair and maintenance	**16,482**	15,861	**123,689**
Taxes other than income taxes	**6,547**	6,411	**49,132**
Other	**34,429**	37,660	**258,382**
Total operating expenses	**122,168**	118,712	**916,833**
Operating income	**16,400**	15,233	**123,074**
Other expenses:			
Interest expense (Notes 2 (b), 5 and 6)	**8,698**	9,456	**65,279**
Other — net	**389**	916	**2,916**
Net other expenses	**9,087**	10,372	**68,195**
Income before income taxes	**7,313**	4,861	**54,879**
Income taxes (Note 7):			
Current	**2,812**	3,998	**21,104**
Deferred	**(307)**	(1,743)	**(2,304)**
Total	**2,505**	2,255	**18,800**
Net income	**¥ 4,808**	¥ 2,606	**$ 36,079**
	Yen		U.S. Dollars
Per share of common stock (Note 2 (i)):			
Net income	**¥316.86**	¥171.77	**$2.38**
Cash dividends applicable to the year	**60.00**	60.00	**0.45**

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Shareholders' Equity

Years ended March 31, 2002 and 2001	Shares outstanding (Thousands)	Millions of Yen Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Unrealized loss on available-for-sale securities	Treasury stock
Balance, April 1, 2000	15,173	¥7,586	¥7,142	¥821	¥47,888		
Appropriations:							
Cash dividends					(758)		
Transfer to legal reserve				84	(84)		
Bonuses to directors and corporate auditors					(72)		
Net income					2,606		
Balance, March 31, 2001	15,173	7,586	7,142	905	49,580		
Appropriations:							
Cash dividends					**(987)**		
Transfer to legal reserve				**60**	**(60)**		
Bonuses to directors and corporate auditors					**(68)**		
Increase in treasury stock (788 shares) (Note 2 (l))							**¥(2)**
Unrealized loss on available-for-sale securities (Note 2 (c))						**¥(132)**	
Net income					**4,808**		
Balance, March 31, 2002	**15,173**	**¥7,586**	**¥7,142**	**¥965**	**¥53,273**	**¥(132)**	**¥(2)**

	Thousands of U.S. Dollars (Note 1) Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Unrealized loss on available-for-sale securities	Treasury stock
Balance, March 31, 2001	$56,934	$53,596	$6,792	$372,080		
Appropriations:						
Cash dividends				**(7,401)**		
Transfer to legal reserve			**450**	**(450)**		
Bonuses to directors and corporate auditors				**(513)**		
Increase in treasury stock (788 shares) (Note 2 (l))						**$(13)**
Unrealized loss on available-for-sale securities (Note 2 (c))					**$(992)**	
Net income				**36,079**		
Balance, March 31, 2002	**$56,934**	**$53,596**	**$7,242**	**$399,795**	**$(992)**	**$(13)**

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Cash Flows

Years ended March 31, 2002 and 2001	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars (Note 1) 2002
Operating activities:			
Income before income taxes	**¥ 7,313**	¥ 4,861	**$ 54,879**
Adjustments for:			
Income taxes paid	**(4,149)**	(3,344)	**(31,135)**
Depreciation and amortization	**25,270**	23,051	**189,646**
Provision for doubtful accounts	**189**	94	**1,421**
Provision for employee retirement benefits	**(247)**	3,556	**(1,852)**
Loss on disposal of property, plant and equipment	**940**	664	**7,053**
Devaluation loss of investment securities	**10**	548	**74**
Changes in operating assets and liabilities:			
Increase in trade accounts receivable	**(486)**	(65)	**(3,648)**
(Increase) decrease in fuel and supplies inventories	**(2,086)**	882	**(15,659)**
Increase (decrease) in trade accounts payables	**707**	(351)	**5,309**
(Decrease) increase in interest payable	**(118)**	33	**(883)**
Other — net	**(1,032)**	(2,433)	**(7,749)**
Total adjustments	**18,998**	22,635	**142,577**
Net cash provided by operating activities	**26,311**	27,496	**197,456**
Investing activities:			
Purchases of utility plants	**(32,445)**	(45,461)	**(243,491)**
Proceeds from sales of property, plant and equipment	**423**		**3,172**
Purchase of investment securities	**(938)**	(385)	**(7,039)**
Increase in investments in and advances to subsidiaries and affiliates	**(394)**	(94)	**(2,957)**
Purchase of short-term investment	**(1,500)**	(1,450)	**(11,257)**
Proceeds from maturity of short-term investment	**1,730**	1,388	**12,983**
Other — net	**274**	732	**2,059**
Net cash used in investing activities	**(32,850)**	(45,270)	**(246,530)**
Financing activities:			
Proceeds from issuance of bonds	**12,000**	17,000	**90,056**
Proceeds from long-term debt	**19,000**	25,558	**142,589**
Repayments of long-term debt	**(26,300)**	(24,946)	**(197,375)**
Proceeds from short-term bank loans	**5,000**	2,800	**37,523**
Repayments of short-term bank loans	**(2,000)**	(942)	**(15,009)**
Proceeds from issuance of commercial paper	**20,000**	5,000	**150,094**
Repayments on maturity of commercial paper	**(18,000)**	(10,000)	**(135,084)**
Cash dividends paid	**(986)**	(762)	**(7,401)**
Net cash provided by financing activities	**8,714**	13,708	**65,393**
Net increase (decrease) in cash and cash equivalents	**2,175**	(4,066)	**16,319**
Cash and cash equivalents, beginning of year	**4,480**	8,546	**33,624**
Cash and cash equivalents, end of year	**¥ 6,655**	¥ 4,480	**$ 49,943**

See notes to non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements

Years ended March 31, 2002 and 2001

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 Financial Reporting 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 ¥133.25 to $1, the approximate rate of exchange at March 31, 2002. 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 the 2001 non-consolidated financial statements to conform to the presentations and classifications used in 2002.

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. Interest costs on the borrowed funds incurred during the construction period of the assets have been expensed as incurred in accordance with a recent revision to the accounting regulations for electric utility companies.

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

Under the new accounting standards for financial instruments, including investment securities, 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 the 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.

The effect of the application of the new standard was to decrease investment securities by ¥203 million ($1,526 thousand) and to increase long-term deferred tax assets by ¥71 million ($534 thousand) as of March 31, 2002.

(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 principally on the 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.

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, determined as of April, 1, 2000, was charged to income as operating expenses in the year ended March 31, 2001.

(g) Income taxes

The provision for income taxes is computed based on the pretax income included in the statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. 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) Appropriations of retained earnings

Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

(l) Treasury stock

Prior to April 1, 2001, treasury stock was included in "Other assets" as an asset. Effective April 1, 2001, such stock is presented as a separate component of shareholders' equity in accordance with the new disclosure requirement for treasury stock.

3. Property, plant and equipment

The major classes of property, plant and equipment were as follows:

	Millions of Yen			
At March 31, 2002	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power generating facilities	**¥334,418**	**¥(17,100)**	**¥(179,187)**	**¥138,131**
Transmission facilities	**121,972**	**(2,203)**	**(52,182)**	**67,587**
Transformation facilities	**82,948**	**(338)**	**(44,363)**	**38,247**
Distribution facilities	**126,743**	**(2,093)**	**(55,120)**	**69,530**
General facilities	**27,784**	**(24)**	**(11,626)**	**16,134**
Utility plants and equipment	**693,865**	**(21,758)**	**(342,478)**	**329,629**
Construction in progress	**36,772**			**36,772**
Total	**¥730,637**	**¥(21,758)**	**¥(342,478)**	**¥366,401**

	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
Utility plants and equipment	616,684	(21,688)	(320,473)	274,523
Construction in progress	86,206			86,206
Total	¥702,890	¥(21,688)	¥(320,473)	¥360,729

	Thousands of U.S. Dollars			
At March 31, 2002	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power generating facilities	**$2,509,705**	**$(128,331)**	**$(1,344,745)**	**$1,036,629**
Transmission facilities	**915,364**	**(16,534)**	**(391,608)**	**507,222**
Transformation facilities	**622,503**	**(2,539)**	**(332,927)**	**287,037**
Distribution facilities	**951,164**	**(15,709)**	**(413,657)**	**521,798**
General facilities	**208,508**	**(177)**	**(87,253)**	**121,078**
Utility plants and equipment	**5,207,244**	**(163,290)**	**(2,570,190)**	**2,473,764**
Construction in progress	**275,963**			**275,963**
Total	**$5,483,207**	**$(163,290)**	**$(2,570,190)**	**$2,749,727**

4. Investment securities

At March 31, 2002, the unrealized loss of market value over the carrying amount of quoted securities was ¥203 million ($1,526 thousand), at March 31, 2001, the unrealized gain of which was ¥44 million.

5. Long-term debt

Long-term debt at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Secured bond, 0.30% to 1.97% in 2002 and 0.70% to 1.91% in 2001, due serially through 2010	**¥ 37,000**	¥ 25,000	**$ 277,673**
Secured loans from Okinawa Development Finance Public Corporation, 1.10% to 6.30% in 2002 and 2001, due serially through 2016	**229,744**	236,370	**1,724,155**
Unsecured loans from banks, 0.43% to 2.9% in 2002 and 0.42% to 3.30% in 2001, due serially 2014	**10,474**	11,148	**78,608**
Total	**277,218**	272,518	**2,080,436**
Less current maturity	**(29,828)**	(26,300)	**(223,852)**
Long-term debt, less current maturity	**¥247,390**	¥246,218	**$1,856,584**

All of the Company's assets are subject to certain statutory preferential rights established to secure bonds, loans 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, 2002 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2003	¥ 29,828	$ 223,852
2004	31,605	237,188
2005	33,422	250,820
2006	28,562	214,353
2007	36,093	270,865
2008 and thereafter	117,708	883,358
Total	¥277,218	$2,080,436

6. Commercial paper and short-term bank loans

At March 31, 2002, the weighted average interest rates applicable to commercial paper and short-term bank loans were 0.04% and 0.41% respectively.

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, 2002 and 2001, respectively.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities at March 31, 2002 and 2001, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Deferred tax assets:			
Allowance for doubtful accounts	**¥1,135**	¥1,068	**$ 8,520**
Pension and severance costs	**3,229**	3,097	**24,238**
Other assets	**1,826**	1,448	**13,702**
Other	**905**	1,105	**6,795**
Total deferred tax assets	**7,095**	6,718	**53,255**
Deferred tax liabilities	**(434)**	(434)	**(3,261)**
Net deferred tax assets	**¥6,661**	¥6,284	**$49,994**

Reconciliations between the normal effective statutory tax rate for the years ended March 31, 2002 and 2001 and the actual effective tax rate reflected in the accompanying non-consolidated statements of income were as follows:

	2002	2001
Normal effective statutory tax rate	**35.0%**	35.0%
Land valuation gain on prior years		8.9
Expenses not deductible for income tax purposes	**3.8**	2.1
Investment tax credits	**(3.9)**	
Other — net	**(0.6)**	0.4
Actual effective tax rate	**34.3%**	46.4%

8. Lease

The Company leases certain automobiles and office equipment. Total lease payments under the above leases for the years ended March 31, 2002 and 2001 were ¥309 million ($2,322 thousand) and ¥449 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, 2002 and 2001 were as follows:

	Millions of Yen		
As of March 31, 2002	General facilities	Other	Total
Acquisition cost	**¥2,634**	**¥72**	**¥2,706**
Accumulated depreciation	**(393)**	**(50)**	**(443)**
Net leased property	**¥2,241**	**¥22**	**¥2,263**

	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

	Thousands of U.S. Dollars		
As of March 31, 2002	General facilities	Other	Total
Acquisition cost	**$19,770**	**$537**	**$20,307**
Accumulated depreciation	**(2,952)**	**(372)**	**(3,324)**
Net leased property	**$16,818**	**$165**	**$16,983**

Obligations under finance leases as of March 31, 2002 and 2001:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Due within one year	**¥ 547**	¥202	**$ 4,108**
Due after one year	**1,716**	256	**12,875**
Total	**¥2,263**	¥458	**$16,983**

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 ¥309 million ($2,322 thousand) and ¥449 million for the years ended March 31, 2002 and 2001, respectively.

9. Contingent liabilities

At March 31, 2002, the Company was contingently liable as a guarantor for loans of a subsidiary in the amount of ¥5,785 million ($43,417 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 ($15,009 thousand) as of March 31, 2002.

10. Shareholders' equity

The Company is subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001.

Prior to October 1, 2001, the Code required at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to additional paid-in capital. Effective October 1, 2001, the Code was revised and common stock par values were eliminated resulting in all shares being recorded with no par value.

Prior to October 1, 2001, the Code also provided that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 25% of stated capital. Effective October 1, 2001, the revised Code allows for such appropriations to be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 25% of stated capital. The amount of total additional paid-in capital and legal reserve which exceeds 25% of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends. Under the Code, the Company may issue new common shares to existing shareholders without consideration as a stock split pursuant to a resolution of the Board of Directors. Prior to October 1, 2001, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split could not be less than ¥500. The revised Code eliminated this restriction.

Prior to October 1, 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective October 1, 2001, the Code eliminated these restrictions allowing the Company to repurchase treasury stock by a resolution of the shareholders at the general shareholders' meeting and dispose of such treasury stock by resolution of the Board of Directors after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amounts of stated capital, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders' meeting.

The Code permits the Company to transfer a portion of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits the Company to transfer a portion of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

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, 2002 and 2001:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Transactions:			
Construction cost and facilities	**¥12,534**	¥13,510	**$ 94,064**
Repair and other operating expenses	**25,050**	24,442	**187,994**
Balance of accounts:			
Trade accounts payable	**¥ 3,907**	¥ 3,063	**$ 29,322**
Accrued expenses	**4,056**	4,265	**30,437**

12. Subsequent event

The following appropriations of retained earnings at March 31, 2002 were approved at the shareholders' meeting held on June 27, 2002:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30 (23¢) per share	¥455	$3,416
Bonuses to directors and corporate auditors	72	541

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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, 2002 and 2001, 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, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 27, 2002

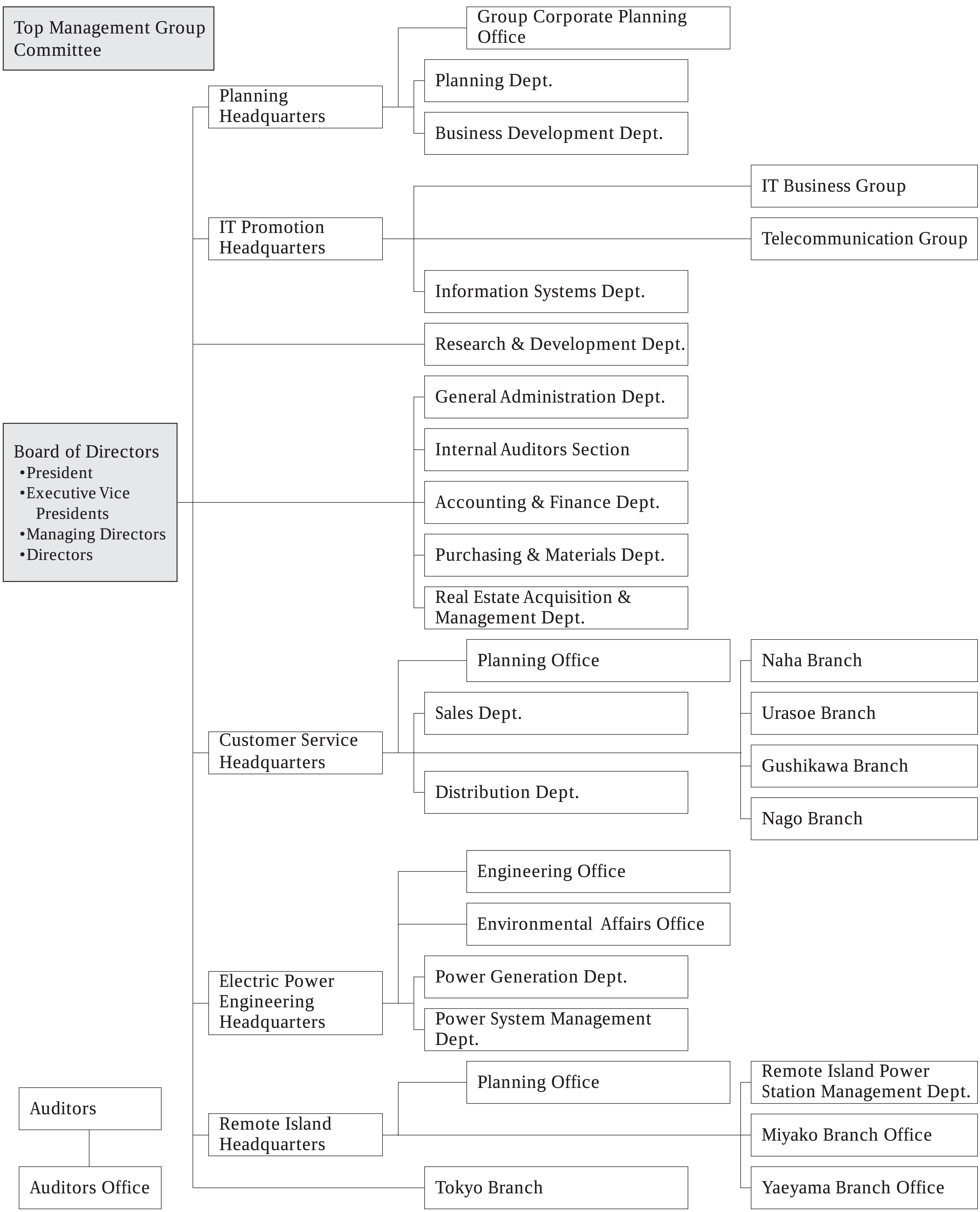
Five-Year Summary

Years ended March 31

Financial Statistics	Millions of Yen				
	2002	2001	2000	1999	1998
For the year:					
Operating revenues	**¥138,568**	¥133,945	¥131,571	¥134,471	¥131,923
Operating expenses	**122,168**	118,712	111,700	114,677	114,179
Operating income	**16,400**	15,233	19,871	19,794	17,744
Net income	**4,808**	2,606	2,725	4,844	2,773
At year-end:					
Total assets	**¥398,994**	¥387,632	¥369,232	¥338,280	¥322,664
Shareholders' equity	**68,832**	65,213	63,437	59,158	55,132

Operating Statistics	**2002**	2001	2000	1999	1998
For the year:					
Electric energy sales (Millions of kWh)	**6,889**	6,626	6,558	6,616	6,126
Peak load (Thousands of kW)	**1,396**	1,329	1,322	1,337	1,242
At year-end:					
Generating capacity (Thousands of kW)	**1,676**	1,456	1,445	1,445	1,445
Transmission lines (km)	**787**	767	680	668	651
Distribution lines (km)	**10,329**	10,109	9,911	9,772	9,577

Organization Chart



(As of July 1, 2002)

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
¥398,994 million

Number of Customers
758,261 (Includes users of both lighting and power)

Number of Employees
1,500

(As of March 31, 2002)

Power Generation Facilities

Type of Station	Number of Facilities	Generating Capacity [kW]
Steam	4	1,247,000
Gas Turbine	3	276,000
Internal Combustion	14	152,925
Total	21	1,675,925

Investor Information

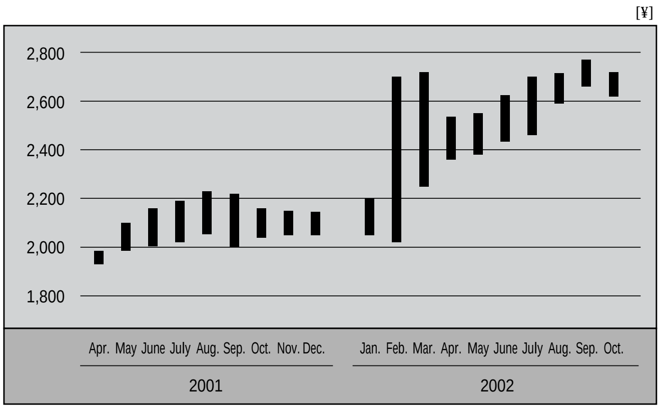
Transfer Agent and Registrar
The Mitsubishi Trust & Banking Corporation
11-1, Nagata-cho 2-chome, Chiyoda-ku, Tokyo 100-8212, Japan

Securities Traded
Tokyo Stock Exchange, Fukuoka Stock Exchange

Common Stock Issued
15,172,921 shares

Number of Shareholders
7,479

Stock Price Range on the Tokyo Stock Exchange



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%

Board of Directors and Auditors

(from left)

Yoshimasa Koja
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 Koja

Tsugiyoshi Toma

Managing Directors:

Eizaburo Ono

Kazuhiro Nakada

Yasushi Kayamoto

Shin Kadena

Directors:

Kiyoshi Nagayama

Hajime Ota

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 27, 2002)

The Okinawa Electric Power Company, Incorporated

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