

Financial Section

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Consolidated Financial Review

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).

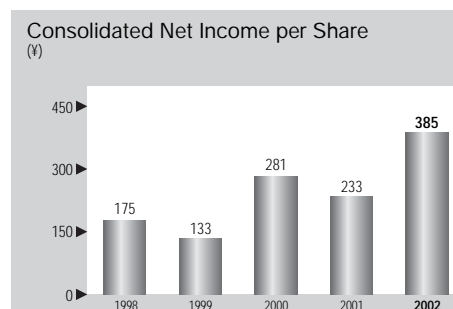
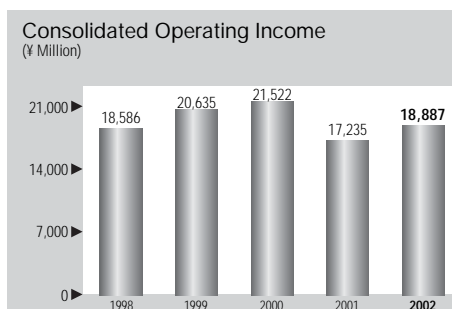
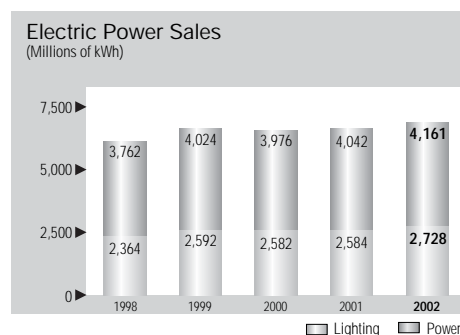
In revenues from other operations, operating revenues recorded growth of 8.2% (¥2,274 million) to ¥30,159 million (US\$226,330 thousand) due to orders received for large-scale telecommunications installations. As a result of efforts to reduce costs, operating expenses in this segment rose by only 5.5% (¥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

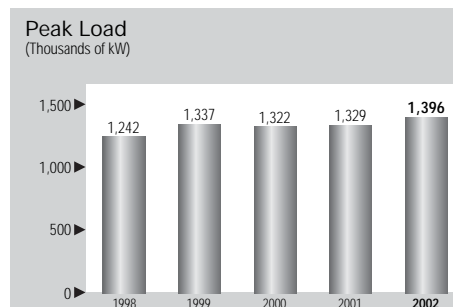
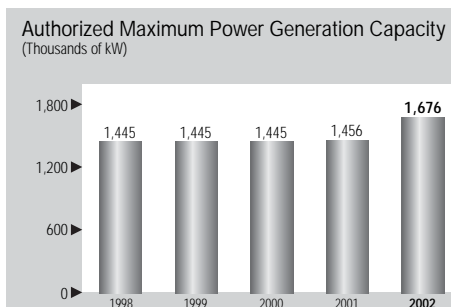
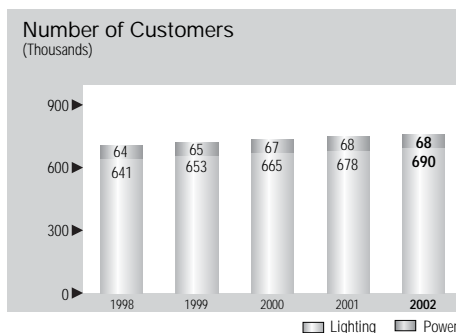
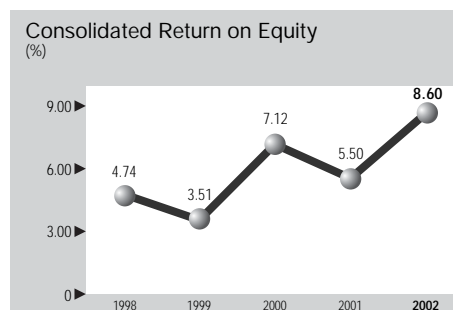
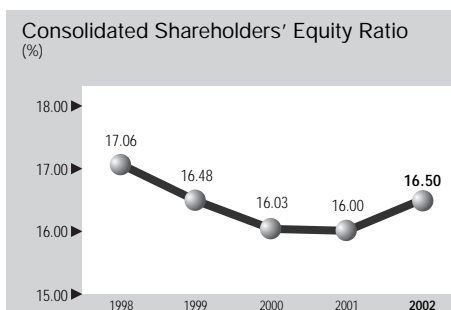
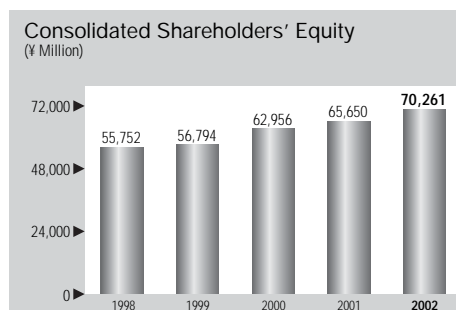
The Company's outlay on investments in large-scale

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 Balance Sheets

March 31, 2002 and 2001	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	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
	<u>742,811</u>	<u>713,871</u>	<u>5,574,563</u>
Less:			
Contributions in aid of construction	(21,758)	(21,687)	(163,288)
Accumulated depreciation	(343,075)	(320,297)	(2,574,669)
	<u>(364,833)</u>	<u>(341,984)</u>	<u>(2,737,957)</u>
Net property, plant and equipment	<u>377,978</u>	<u>371,887</u>	<u>2,836,606</u>
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	<u>15,820</u>	<u>14,522</u>	<u>118,722</u>
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	<u>32,408</u>	<u>25,047</u>	<u>243,214</u>
Total	<u>¥426,206</u>	<u>¥411,456</u>	<u>\$3,198,542</u>
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	<u>276,929</u>	<u>276,727</u>	<u>2,078,268</u>
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	<u>77,702</u>	<u>68,067</u>	<u>583,125</u>
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	<u>70,261</u>	<u>65,650</u>	<u>527,287</u>
Total	<u>¥426,206</u>	<u>¥411,456</u>	<u>\$3,198,542</u>

See notes to consolidated financial statements.

Consolidated Statements of Income

Years ended March 31, 2002 and 2001	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	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	Millions of Yen					
	Shares outstanding (Thousands)	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	<u>15,173</u>	<u>¥7,586</u>	<u>¥7,142</u>	<u>¥55,674</u>	<u>¥(139)</u>	<u>¥(2)</u>

	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	<u>\$56,934</u>	<u>\$53,596</u>	<u>\$417,816</u>	<u>\$ (1,046)</u>	<u>\$ (13)</u>

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2002 and 2001	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	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:

At March 31, 2002	Millions of Yen			
	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

At March 31, 2001	Millions of Yen			
	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

At March 31, 2002	Thousands of U.S. Dollars			
	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:

At March 31, 2002	Millions of Yen			
	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

At March 31, 2001	Millions of Yen			
	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

At March 31, 2002	Thousands of U.S. Dollars			
	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:

Available-for-sale:	Carrying Amount		
	Millions of Yen	2001	Thousands of U.S. Dollars
	2002	2001	2002
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:

Due in one year or less	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
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.....	<u>¥291,148</u>	<u>\$2,184,975</u>

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.....	<u>¥16,404</u>	<u>¥16,486</u>	<u>\$123,109</u>

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.....	<u>¥2,371</u>	<u>¥6,321</u>	<u>\$17,794</u>

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.....	<u>¥10,651</u>	<u>¥10,048</u>	<u>\$79,933</u>

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.....	<u>35.8%</u>	<u>44.1%</u>

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		
	General Facilities	Other	Total
As of March 31, 2002			
Acquisition cost.....	¥1,551	¥507	¥2,058
Accumulated depreciation.....	(120)	(295)	(415)
Net leased property.....	<u>¥1,431</u>	<u>¥212</u>	<u>¥1,643</u>

	Millions of Yen		
	General Facilities	Other	Total
As of March 31, 2001			
Acquisition cost.....	¥783	¥745	¥1,528
Accumulated depreciation.....	(681)	(398)	(1,079)
Net leased property.....	<u>¥102</u>	<u>¥347</u>	<u>¥ 449</u>

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

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.....	<u>¥1,643</u>	<u>¥448</u>	<u>\$12,333</u>

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.....	<u>¥ 97</u>	<u>¥ 75</u>	<u>\$ 727</u>

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.....	<u>¥158</u>	<u>¥137</u>	<u>\$1,105</u>

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:

2002	Millions of Yen					Thousands of U.S. Dollars				
	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

2001	Millions of Yen				
	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		Thousands of U.S. Dollars (Note 1)
	2002	2001	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		Thousands of U.S. Dollars (Note 1)
	2002	2001	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

Millions of Yen

Years ended March 31, 2002 and 2001	Shares outstanding (Thousands)	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)

Years ended March 31, 2002 and 2001	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		Thousands of U.S. Dollars (Note 1)
	2002	2001	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			
	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
At March 31, 2002				
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			
	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
At March 31, 2001				
Thermal power				
generating facilities	¥267,092	¥(17,122)	¥(167,977)	¥ 81,993
Transmission facilities	120,178	(2,186)	(47,907)	70,085
Transformation facilities	79,878	(348)	(41,742)	37,788
Distribution facilities	122,498	(2,009)	(52,217)	68,272
General facilities	27,038	(23)	(10,630)	16,385
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			
	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
At March 31, 2002				
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:

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

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

As of March 31, 2002	Thousands of U.S. Dollars		
	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