The Okinawa Electric Power Company, Incorporated (OEPC)

Annual Report 2003

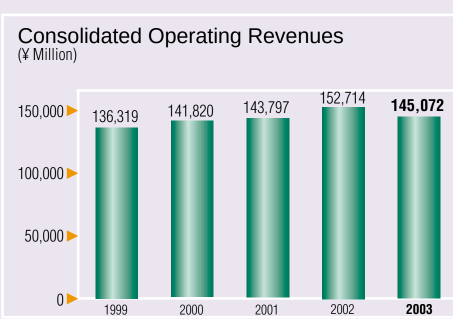
Financial Highlights (Consolidated)

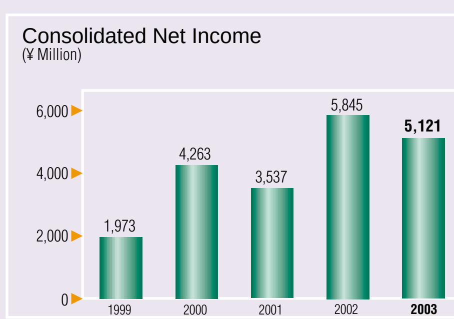
Years ended March 31, 2003 and 2002	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
For the year:			
Operating revenues	**¥145,072**	¥152,714	**$1,206,927**
Operating income	**17,034**	18,887	**141,717**
Net income	**5,121**	5,845	**42,606**
Per share of common stock (Yen and U.S. Dollars):			
Basic net income	**¥329.01**	¥385.22	**$2.74**
Cash dividends applicable to the year	**60.00**	60.00	**0.50**
At year-end:			
Total assets	**¥421,081**	¥426,206	**$3,503,169**
Total shareholders' equity	**74,326**	70,261	**618,351**

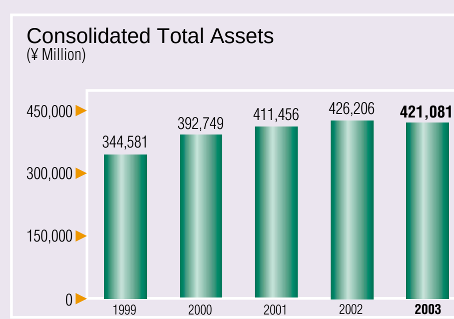
Note: The U.S. Dollar amounts represent translation of Japanese yen for convenience only at the approximate exchange rate on March 31, 2003, of ¥120.20 to $1.

Operating Highlights (Non-Consolidated)

Years ended March 31, 2003, 2002 and 2001	**2003**	2002	2001
For the year:			
Electric energy sales (Millions of kWh)			
Lighting	**2,704**	2,728	2,584
Power	**4,179**	4,161	4,042
Peak load (Thousands of kW)	**1,325**	1,396	1,329
At year-end:			
Number of customers:			
Lighting	**702,178**	689,939	677,925
Power	**68,526**	68,322	67,798
Generating capacity (Thousands of kW)	**1,676**	1,676	1,456
Route length of transmission lines (km):			
Overhead	**636**	627	607
Underground	**163**	160	160







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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 located at the southernmost tip of the Japanese archipelago with a population of approximately 1.3 million. The Company supplies power to 39 inhabited islands scattered over a wide area measuring approximately 400km from north to south and 1,000km from east to west. By addressing both public utility-related issues and simultaneously working to maximize operating efficiency, we provide universal services and maintain a steady and reliable supply of electricity, thereby continuing to fulfill our mission as an electric power company. We celebrated the 30th anniversary of our establishment in May 2002, and in March of the same year, 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.

Concerning the current operating environment for the electric power sector, this is a time of difficult reforms as the industry moves from partial to full-scale liberalization of the electric power retailing market, and competition is intensifying with the entrance of private-sector providers. To meet the challenges accompanying this period of great change, we will do our utmost to provide stable supplies of electric power to all our customers, and strengthen the management of our Group (comprising 20 subsidiaries and 3 affiliates). We will continue our strenuous efforts to solidify our position as the company of choice among our customers, shareholders and investors.

Message from the Management

At the Board of Directors meeting after our regular shareholders meeting on June 27, 2003, Hirokazu Nakaima was appointed Chairman of the Board and Representative Director, and Tsugiyoshi Toma was named President and Representative Director.

Operating Environment and Performance

During the term under review, despite declines in housing construction, private capital investment, and public investment, the economy of Okinawa as a whole continued to show signs of recovery, as evidenced by a moderate rise in personal consumption and a turnaround by tourism-related industries.

Amid this economic situation, consumer demand for electric power — for both home and businesses uses — was weaker than year-earlier levels as a result of lower summer temperatures.

On the other hand, water shortages necessitated a high operational level at desalination plants which produce water for industrial use, leading demand to surpass the previous-year level. Consequently, overall electric power demand remained nearly on par with the year-earlier level.

Demand for residential use fell 0.9% year-on-year, to 2,704 million kWh, while demand for electric power rose 0.4% to 4,048 million kWh. Total electric power sales, including sales to special high voltage customers, amounted to 6,883 million kWh, down 0.1% year-on-year.

Operating revenues from the electric power supply business fell 3.3% from the previous year, to ¥133,974 million. This decline is attributable to a decrease in public electricity demand and to the impact of the crude oil price-linked fuel cost adjustment system, by which we lowered electricity charges by an average of 5.79% in October 2002. Operating expenses decreased 2.3% to ¥119,338 million. Consequently, operating income dropped 10.8% to ¥14,636 million.

Revenues from the construction business rose 1.5%, to ¥22,837 million. Although public investment in general fell short of the previous-year level, owing to the benefits of the Large-Scale Economic Stimulus Measures implemented during that term, the term under review saw the completion of many major construction projects. As a result, operating income came to ¥789 million, a 13.1% increase from the previous year.

Although information technology and telecommunications orders rose and the number of consolidated subsidiaries increased, operating revenue from other business grew only 2.3% to ¥30,852 million. This is mainly because the previous year figure included revenue from one-time orders for large-scale electricity equipment. Operating costs rose 2.6% to ¥28,770 million, while operating income declined 2.1% to ¥2,082 million.

As a result, the Company posted total sales (operating revenue) of ¥145,072 million (US$1,207 million), down 5.0%, on a consolidated basis. Net income came to ¥5,121 million (US$43 million), a 12.4% decline from the previous year.

Principal Measures Implemented and Future Prospects

It has been three years since the start of the partial deregulation of electric power retailing in March 2000. Since then, new guidelines for the electricity business were discussed, and in February 2003 the guidelines for the phased expansion of liberalization were finalized, with the ultimate goal being the full liberalization of electric power retailing. Now that the future direction of electricity liberalization has been clarified, competition has entered a new phase.

Viewing the current term as the first year, the Company's employees and officers rallied together to formulate measures for responding to these developments and to improve efficiency to enable a next round of reductions in electricity charges. At the same time, we are keeping firmly in mind the Company's medium- and long-term tasks. In addition to ongoing initiatives, in the short term we are promoting quality management initiatives in line with the ISO 9001 system and working on our IT business, which we hope to grow into the second core business of the Okiden Group ("Okiden" is an abbreviation of the Japanese name for Okinawa Electric Power Company.)

Despite rising depreciation costs that accompanied the completion of the Kin Thermal Power Station, the introduction of a Renewables Portfolio Standard (RPS) system, the development and introduction of a mapping system, and commencement of Polychlorinated Biphenyls (PCB) processing — all contributing factors to the rise in costs — we are continuing to make utmost efforts to strengthen our price competitiveness. We have also devised specific financial goals, such as securing adequate profits, reducing our balance of interest-bearing debt, and improving our equity ratio, and are undertaking thorough efforts to improve efficiency.

To grow and develop as a strong and ambitious utilities group, we are working diligently to realize Group-wide management efficiency, and making aggressive efforts to expand our non-electricity businesses. Our aim is to achieve 70% of our revenues from the electricity business and 30% of our revenues from other businesses by fiscal 2010. To this end, for the current term we have set as our three top priorities the expansion of sales outside the Group, the improvement of efficiency, and the further penetration of the Okiden Group brand, and will work steadily to achieve these goals.

We pledge to observe all related regulations and laws, and undertake business activities with a highly developed sense of ethics and morale, while quickly and accurately disclosing corporate data with the aim of fostering an even higher level of trust among our shareholders and investors. We will continue working to remain the company of choice.

Hirokazu Nakaima, *Chairman*   Tsugiyoshi Toma, *President*

Hirokazu Nakaima
Chairman

Tsugiyoshi Toma
President

A New Course for Electric Power Companies

Deeply aware that the initiatives being undertaken this past year or two will have a large impact on OEPC's future, in the current term we are making efforts to be the kind of tenacious company capable of generating profits even in a severe operating environment. In fiscal 2003, we will push ahead steadily to achieve concrete results from the preparations made up to now. The following is a list of the initiatives we are currently undertaking, as we proceed with bold determination to fulfill our goals.

Targeting Company-Wide Implementation of ISO 9001

To achieve company-wide implementation of a quality management system adhering to the ISO 9001:2000 international standard, the certification of which we obtained in 2002, we are encouraging each and every employee to learn about and implement this system, and then make the necessary improvements. Such improvements will lead to increased efficiency in operations and a quicker response by our employees. We are simultaneously creating a corporate climate that welcomes improvements that will lead to higher customer satisfaction and lower costs. To this end we are further developing this management system, and in July 2003 we established the Quality Management Office, which reports directly to the head of the Planning Headquarters, to provide the necessary follow-up. We aim to expand the scope of ISO 9001 certification to include the Remote Island Electric Service Headquarters* and our power plants, and coordinate this with ISO 14001 certification.

* Remote Island Electric Service Headquarters: In July 2002, OEPC introduced an in-house company system. Due to the small size and geographic remoteness of the islands, the Company has found it difficult to conduct lower-cost operations in remote island areas. However, with the newly clarified scope of authority and responsibilities, an in-house company will carry out prompt decision-making in managing remote island operations, and aims to improve revenues through long-term self-help efforts as a highly autonomous entity.

Strengthening Cost Competitiveness

To survive the market competition, it is essential to implement the various measures for liberalization that we at OEPC have so eagerly put together and achieve fees competitive with those of new power producers and suppliers (PPS) and part-time service providers utilizing their in-house generators. At the same time, to strengthen our financial position, we aim to secure annually an ordinary profit of over ¥6,000 million, on average for the fiscal years 2003–2012, and achieve an equity ratio at the 20% level by the end of fiscal 2004. We will work steadily to achieve these goals.

To this end, we have introduced a managerial accounting system that raises cost-consciousness by holding each department accountable for its own costs. By means of more effective capital investment, we expect to reduce aggregate capital investment for the decade to less than ¥250 billion. We aim to further strengthen our cost competitiveness through aggressive measures, strict cost-cutting measures, active streamlining, and enhancing the efficiency of business operations through the use of IT. Furthermore, we will work actively to cultivate demand by enhancing marketing capabilities and to facilitate load leveling through the promotion of electric water heaters and energy-storage systems.

Kin Thermal Power Station

Providing Maximum Customer Satisfaction

As for the scope of liberalization at OEPC, authorities have decided to liberalize the whole range of special-purpose, high-voltage operations in April 2004, and are considering gradually expanding this scope. Today, as we move into a new phase in which customers will be able to choose their own supplier, it will be important to respond to the diverse customer needs promptly and precisely.

To respond to liberalization and compete with private service providers, we undertook organizational reform in July 2003, and set up the Solution Marketing Group. By undertaking such initiatives as creating a wider variety of electricity rates and commencing consulting activities, and developing a Solutions Business, we are working to expand our marketing activities by drawing on our experience and knowledge. We are also setting up a call center to provide precise responses to customer inquiries in an effort to offer high-quality services. In this way, we are working to become the company of choice among the prefecture's customers in this age of competition.

Ensuring a Steady Supply and Cost Reductions

Given the importance of a secure, stable power supply to customers, we expect every employee to recognize the importance of providing a stable supply of electric power, and are expanding and strengthening our facilities and systems to ensure that our power supply is indeed secure and stable, while simultaneously working to raise total system efficiency in operations and maintenance of facilities handling both power supply and distribution. Furthermore, we will give even greater priority to environmental preservation in regard to construction and operation of an electricity supply facilities.

With the commencement of operation of the No. 2 generator at Kin Thermal Power Station in May 2003, we expect coal to account for 77% (OEPC 54%, other companies 23%) of electric power generation in fiscal 2003. Meanwhile, through the introduction of LNG as an energy source, we predict that generation using non-oil energy sources will account for 85% (coal 68%, LNG 17%) in ten years — by fiscal 2013. Plans are moving along smoothly for the LNG-powered Yoshinoura thermal power station. We will devise specifications of the power station which enable operation costs that are on par with generation costs at average coal-fired power plants. We are looking into measures to reduce fuel-procurement costs, and are devising the optimal distribution facility.

Moreover, we are planning to build facilities for the efficient transmission, transformation and supply of electricity after accurately assessing regional trends, while promoting widespread adoption of accident prevention measures for the automatic switch-over to backup generator systems, to enhance the efficiency of our distribution facilities.

Enhancing Corporate Value

In addition to bolstering the capacity of our electric power business to prepare for future risks, OEPC will struggle to foster new businesses and provide support for the new ventures of Group companies. We will form alliances with corporate groups within the prefecture to extend our business domain. We will also conduct surveys on business development and research. In these activities, we will not limit ourselves to the prefecture but also include areas outside the prefecture and outside Japan.

To maximize the Group's collective strength, we are putting considerable effort into training staff within the Group, promoting increased efficiency of all employees of Group companies, and expanding marketing activities. In particular, in the IT business, through close cooperation with Group companies, we are preparing a system through which to provide total solutions, with three functions serving as the core (telecommunications infrastructure, applications and data center), with the aim of making IT into a second core business. In the future, we will continue to undertake comprehensive business development. To this end, we will also press on with the laying of an optic fiber network.

Furthermore, taking advantage of Okinawa's distinctive climate, we are looking into new businesses, such as nursing homes and recreation facilities, with the aim of aggressively expanding into new areas that promise enhanced profitability.

In addition, by improving our earnings performance through more closely integrated Group management, we will be able to pursue more active business expansion, promote greater efficiency and work to increase sales outside the Group. We are also undertaking various IR activities, ensuring a prompt and accurate disclosure of corporate data, in an effort to establish the Okiden Group brand, with the continued trust and support of our customers, shareholders, and investors.

Creating a Better Working Environment

Our goal is for all employees to recognize their roles and responsibilities, and then make action plans, set positive targets, and conduct their duties with the conviction that their activities are advancing business operations. Therefore, we require that all regulations and laws are observed, that business activities are performed with great care for ethical considerations, and that every employee take responsibility for bringing about positive reform. We hope to train staff to cultivate self-reliance and promote specialized study. We continue to promote the "MOVE 2000 program," which provides assistance and incentives for staff to form venture companies. In this way, we are working to create a pleasant work environment that instills in employees a will to work, as well as inspires their dreams.

Living in Harmony with the Global Environment

Based on the premises provided in its Environmental Preservation Action Plan, OEPC actively implements environmental preservation measures at all its departments and power stations. As part of our initiative to reduce CO_2 emissions as a countermeasure against global warming, we are constructing the LNG-fueled Yoshinoura Thermal Power Plant. Meanwhile, the highly efficient Kin Thermal Power Station has commenced operation, and contributes to the World Bank's carbon fund*.

In addition to implementing such measures, we are promoting the development and introduction of technology for new energy systems, such as wind power and solar power, within the Okiden Group in an effort to reduce the environmental burden.

Regarding the international environmental standard for management systems (ISO 14001), three steam-powered generation plants have acquired certification, and are continuously undertaking activities toward the achievement of environmental targets and goals.

We actively engage in reforestation both in the prefecture and overseas. In addition, we are devising plans for effectively utilizing and processing coal ash.

Striving to preserve the beauty of nature for future generations by living in harmony with the environment, the Company is applying various technologies and expertise, autonomously and actively promoting the implementation of measures that reduce the burden on the environment. In this way, we make environmental preservation a foremost priority.

* The carbon fund is a fund established by the World Bank for supporting the transfer of global warming-related technologies to developing countries. It is an international mechanism by which contributors to the fund obtain credit for the reduction of CO_2 emissions. OEPC has decided to contribute funds to the Community Development Carbon Fund (CDCF), and the BioCarbon Fund (BioCF).

Contributing 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 our staff strives to be a responsible citizen by taking part in community activities. This is part of our overall effort to ensure that the Company contributes to the rich culture of the prefecture and earns the trust of the people of Okinawa Prefecture.

During the 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. Given our duty to contribute to the advancement of the society, the culture, the economy, and education in Okinawa Prefecture, we participate in or provide support for local festivals, as well as cultural and sporting events. We sponsor concerts and lectures on cultural topics, as well as events promoting science and technology. Our employees undertake volunteer activities.

In this way, the Company promotes various activities that contribute to the advancement of the country and the prefecture, and through cooperation with the Nansei-Shoto Industrial Advancement Center (NIAC), promotes analysis and research pertaining to the local business community.

Topics

30th Anniversary

In May 2002, we celebrated the 30th anniversary of our founding. With the reversion of Okinawa to Japan in May 1972, the Okinawa Electric Power Company Inc. was set up as a special entity with funding from the Japanese government and the prefecture, for the purpose of taking over the operation of the Ryukyu Electric Company. In April 1976, the Company absorbed five local electric power distribution companies. The Company was privatized in October 1989.

Revision of Electricity Fees

On October 1, 2002 we reduced electricity fees by an average 5.79%. In addition to savings achieved through improvements in management efficiency and lower costs, we factored in the maximum amount of anticipated cost reductions, and came up with 3.97% for residential use and 7.32% for industrial and commercial use. The combined total, resulting in a reduction of 5.79%, surpassed the previous figure of 3.78% by 2 percentage points in December 2001.

Acquisition of ISO 9001

In May 2001, we set up an office to handle preparations for the introduction of ISO 9001, and since then all employees have been working together toward the acquisition of the ISO 9001 certification. In October 2002, a preliminary inspection for ISO 9001 was conducted by Det Norske Veritas (DNV), an international consulting firm headquartered in Oslo, Norway. In December of the same year, we acquired the international standard ISO 9001:2000 certification for our quality management system.

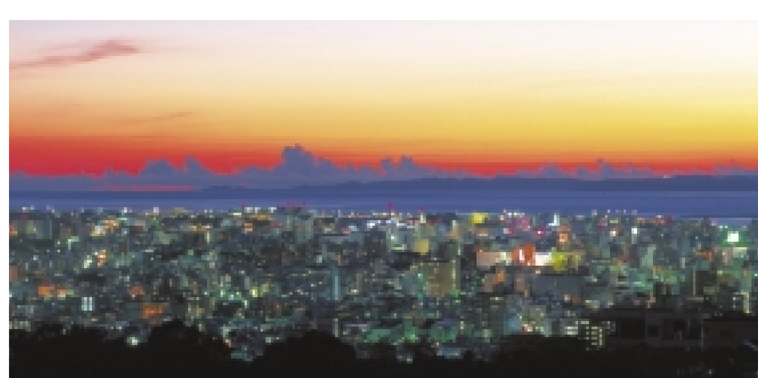
Our Operational Base

Okinawa Prefecture, our operational base, is an island chain comprising approximately 160 islands, located at the southernmost tip of the Japanese archipelago and scattered over an area 1,000km from east to west and 400km from north to south. The area developed its own distinctive culture under the rule of the Ryukyu Kingdom, which lasted from the 15th to the 19th century, as a result of contact with other countries through foreign trade. Now, known as a leading marine resort area in Japan, Okinawa is blessed with a pleasant subtropical ocean climate and an abundance of natural beauty.

Through the Okinawa Promotion Plan, which was launched in fiscal 2002, special measures promoting industry, particularly tourism and IT, and newer businesses have brought increased vitality to Okinawa. The Okinawa Urban Monorail commenced service in August 2003. This service links Naha Airport with Shuri in Naha City (a distance of 13 km), stopping at 15 stations in a 27-minute trip. As Okinawa's first railway in the post-war period, it is the focus of much attention.

Amid the liberalization of the electric power supply market nationwide, in Okinawa OEPC has benefited from a number of special measures and provisions — such as reduced enterprise and fixed property taxes — which take into account the particular difficulties under which OEPC labors. These include the unavailability of power support from mainland Japan and the high cost of servicing remote islands.

We will continue to improve customer services by increasing management efficiency, making further efforts to ensure a steady power supply at reasonable rates, and maintain across-the-board services.



Financial Section

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Business Performance (Consolidated Basis)

During the term under review, total operating revenues declined 5.0% year-on-year (¥7,642 million) to ¥145,072 million (US$1,206,927 thousand), and total operating expenses decreased 4.3% (¥5,789 million) to ¥128,038 million (US$1,065,210 thousand). Operating income was down 9.8% (¥1,853 million) from the previous term, at ¥17,034 million (US$141,717 thousand). Net other expenses came to ¥8,678 million (US$72,198 thousand), while income before income taxes and minority interests dropped 13.0% (¥1,246 million) year-on-year, to ¥8,356 million (US$69,519 thousand).

As a result of the foregoing, the Company posted a year-on-year decline in net income of 12.4% (¥724 million) to ¥5,121 million (US$42,606 thousand). Net income per share came to ¥329.01 (US$2.74), while the dividend per share was ¥60.00 (US$0.50).

In a breakdown of operating results by business segment, operating revenues from the electric power business fell 3.3% to ¥133,974 million (US$1,114,593 thousand). This decline is attributable to a decrease in electricity demand by consumers and to the impact of the lowering of our electricity charges by an average of 5.79% in October 2002 as part of our system linking fuel costs to the price of crude oil. Despite an increase in depreciation expenses due to the commencement of operation at the Kin Thermal Power Station, operating expenses also recorded a year-on-year decline of 2.3% to ¥119,338 million (US$992,830 thousand), thanks to substantial reductions in fuel costs caused by the shift from oil to coal as the main power generation fuel, increased efficiency of management overall, and various cost-cutting efforts. As a result, operating income saw a decrease of 10.8% from the previous term, to ¥14,636 million (US$121,763 thousand).

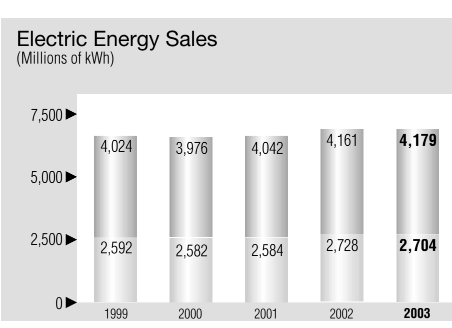
Regarding our construction business operated by subsidiaries — spanning the research, design and installation of electric power facilities — operating revenue rose 1.5% year-on-year to ¥22,837 million (US$189,989 thousand). Although public investment fell short of the previous-year level, owing to the benefits of the large-scale economic stimulus measures implemented by the government during that term, the term under review saw the completion of many major construction projects in the private sector. As a result, operating income came to ¥789 million (US$6,563 thousand), up 13.1% from the previous year.

In revenues from other operations, operating revenues grew ¥693 million (2.3%) to ¥30,852 million (US$256,679 thousand). During the term information technology (IT) and telecommunications orders rose and the number of affiliated subsidiaries increased. However, one-time orders for large-scale electricity equipment included in the previous-year figure partially offset the growth. Other operating expenses rose ¥738 million (2.6%) to ¥28,770 million (US$239,350 thousand) in tandem with expansions of orders and scope of consolidation. As a result, operating income declined 2.1% (¥45 million) to ¥2,082 million (US$17,329 thousand).

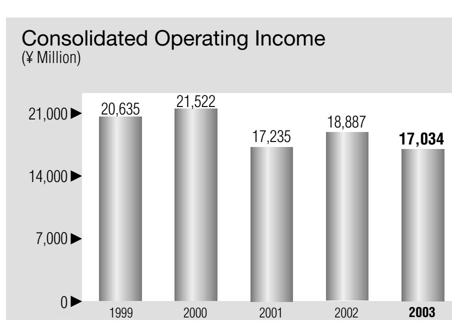
Financial Position

Total assets at term-end were down 1.2% (¥5,125 million) from the previous term-end, at ¥421,081 million (US$3,503,169 thousand).

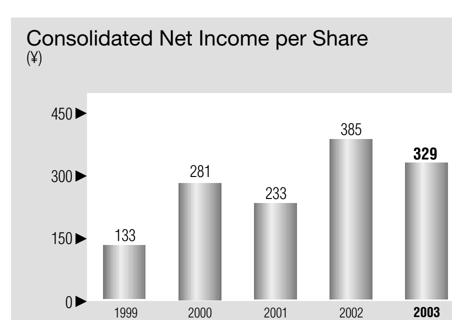
Net property, plant and equipment fell 1.6% (¥5,916 million) to ¥372,062 million (US$3,095,358 thousand). This was mainly attributable to the write-down of steam power



Electric Energy Sales
(Millions of kWh)



Consolidated Operating Income
(¥ Million)



Consolidated Net Income per Share
(¥)

generation facilities due to depreciation. Investments and other assets grew 17.7% (¥2,802 million) year-on-year, to ¥18,622 million (US$154,921 thousand) due to a 67.3% (¥2,184 million) growth in investment securities to ¥5,430 million (US$45,173 thousand).

Current assets decreased 6.2% (¥2,011 million) to ¥30,397 million (US$252,890 thousand), due to a 22.6% (¥2,211 million) decline in trade notes and accounts receivable.

Long-term liabilities as of the term-end fell 2.0% year-on-year (¥5,475 million) to ¥271,454 million (US$2,258,353 thousand) due to a decline in long-term debt. Current liabilities fell 5.3% (¥4,106 million) to ¥73,596 million (US$612,280 thousand).

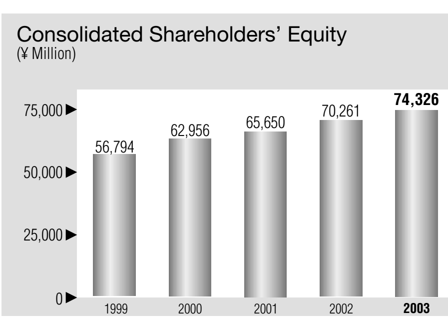
Shareholders' equity at term-end was up 5.8% (¥4,065 million) at ¥74,326 million (US$618,351 thousand), principally as a result of a ¥4,014 million increase in retained earnings.

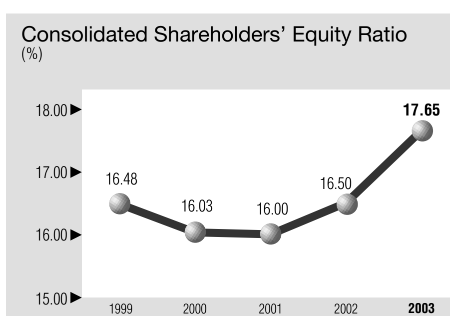
Cash Flows

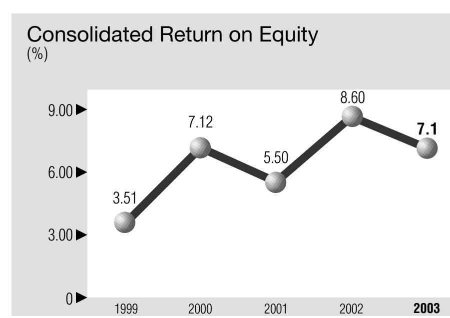
Net cash provided by operating activities increased 6.8% (¥1,941 million) to ¥30,620 million (US$254,742 thousand), due to an increase in depreciation and a decrease in income taxes paid, despite a decline in income before income taxes and minority interests.

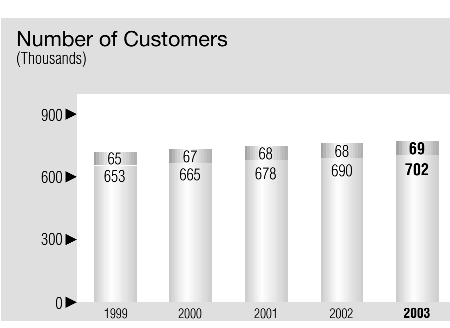
Net cash used in investing activities declined 20.9% (¥7,267 million) to ¥27,531 million (US$229,044 thousand). This was the result of a decline in outlay for the acquisition of property, plant and equipment accompanying progress in the construction of large-scale projects such as the No. 1 and No. 2 generators at the Kin Thermal Power Station. As a result, free cash flow (defined as the total of cash flows from operating and investing activities) turned around to a net inflow of ¥3,089 million (US$25,698 thousand) from a net cash outflow of ¥6,119 million for the previous term.

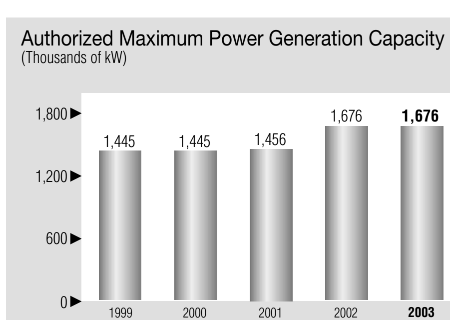
Net cash used in financing activities came to ¥2,508 million (US$20,864 thousand), due to the repayment of long-term debt, which exceeded proceeds from the issuance of corporate bonds and proceeds from long-term debt.

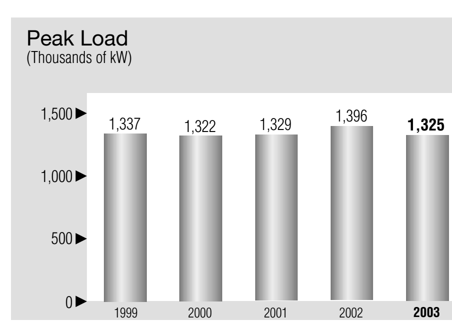












Consolidated Balance Sheets

March 31, 2003 and 2002	Millions of Yen 2003	Millions of Yen 2002	Thousands of U.S. Dollars (Note 1) 2003
Assets			
Property, plant and equipment (Note 3):			
Utility plants	**¥689,596**	¥674,059	**$5,737,075**
Other plant and equipment	**36,005**	32,341	**299,537**
Construction in progress	**37,499**	36,411	**311,973**
	763,100	742,811	**6,348,585**
Less:			
Contributions in aid of construction	**(21,936)**	(21,758)	**(182,497)**
Accumulated depreciation	**(369,102)**	(343,075)	**(3,070,730)**
	(391,038)	(364,833)	**(3,253,227)**
Net property, plant and equipment	**372,062**	377,978	**3,095,358**
Investments and other assets:			
Investment securities (Note 4)	**5,430**	3,246	**45,173**
Investments in and advances to non-consolidated subsidiaries and affiliates	**880**	939	**7,317**
Deferred tax assets (Note 8)	**10,443**	9,499	**86,882**
Other assets	**2,142**	2,440	**17,818**
Allowance for doubtful accounts	**(273)**	(304)	**(2,269)**
Total investments and other assets	**18,622**	15,820	**154,921**
Current assets:			
Cash and cash equivalents	**12,526**	11,611	**104,210**
Short-term investment	**1,290**	1,640	**10,732**
Trade notes and accounts receivable, less allowance for doubtful accounts of ¥214 ($1,783) — 2003, ¥184 — 2002	**7,572**	9,783	**62,994**
Inventories	**7,337**	7,666	**61,039**
Deferred tax assets (Note 8)	**1,326**	1,152	**11,035**
Other current assets	**346**	556	**2,880**
Total current assets	**30,397**	32,408	**252,890**
Total	**¥421,081**	¥426,206	**$3,503,169**
Liabilities and shareholders' equity			
Long-term liabilities:			
Long-term debt, less current maturities (Note 5)	**¥254,792**	¥260,108	**$2,119,733**
Liabilities for employee retirement benefits (Note 7)	**16,536**	16,404	**137,570**
Other long-term liabilities	**126**	417	**1,050**
Total long-term liabilities	**271,454**	276,929	**2,258,353**
Current liabilities:			
Current maturities of long-term debt (Note 5)	**32,828**	31,040	**273,115**
Commercial paper (Note 6)	**4,000**	2,000	**33,278**
Short-term bank loans (Note 6)	**5,001**	5,050	**41,601**
Trade notes and accounts payable	**18,072**	26,800	**150,350**
Income taxes payable (Note 8)	**2,767**	1,820	**23,022**
Accrued expenses	**9,059**	8,159	**75,365**
Other current liabilities	**1,869**	2,833	**15,549**
Total current liabilities	**73,596**	77,702	**612,280**
Minority interests	**1,705**	1,314	**14,185**
Commitment and contingent liabilities (Notes 9 and 10)			
Shareholders' equity (Notes 11 and 14):			
Common stock,			
Authorized — 30,000,000 shares			
Issued — 15,172,921 shares (2003 and 2002)	**7,586**	7,586	**63,115**
Additional paid-in capital	**7,142**	7,142	**59,415**
Retained earnings	**59,688**	55,674	**496,570**
Unrealized loss on available-for-sale securities	**(81)**	(139)	**(674)**
Treasury stock — at cost			
3,624 shares in 2003 and 788 shares in 2002	**(9)**	(2)	**(75)**
Total shareholders' equity	**74,326**	70,261	**618,351**
Total	**¥421,081**	¥426,206	**$3,503,169**

See notes to consolidated financial statements.

Consolidated Statements of Income

Years ended March 31, 2003 and 2002	Millions of Yen 2003	Millions of Yen 2002	Thousands of U.S. Dollars (Note 1) 2003
Operating revenues:			
Electric	**¥133,738**	¥138,568	**$1,112,632**
Other	**11,334**	14,146	**94,295**
Total operating revenues	**145,072**	152,714	**1,206,927**
Operating expenses (Notes 7, 9 and 12)**:**			
Electric	**117,456**	120,842	**977,170**
Other	**10,582**	12,985	**88,040**
Total operating expenses	**128,038**	133,827	**1,065,210**
Operating income	**17,034**	18,887	**141,717**
Other expenses:			
Interest expense (Notes 5 and 6)	**8,195**	8,986	**68,176**
Other — net	**483**	299	**4,022**
Net other expenses	**8,678**	9,285	**72,198**
Income before income taxes and minority interests	**8,356**	9,602	**69,519**
Income taxes (Note 8)**:**			
Current	**4,264**	3,959	**35,475**
Deferred	**(1,152)**	(525)	**(9,581)**
Total	**3,112**	3,434	**25,894**
Income before minority interests	**5,244**	6,168	**43,625**
Minority interests in net income	**123**	323	**1,019**
Net income	**¥ 5,121**	¥ 5,845	**$ 42,606**

	Yen 2003	Yen 2002	U.S. Dollars 2003
Per share of common stock (Note 2 (i))**:**			
Basic net income	**¥329.01**	¥385.22	**$2.74**
Cash dividends applicable to the year	**60.00**	60.00	**0.50**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Years ended March 31, 2003 and 2002	Thousands: Issued number of shares of common stock	Millions of Yen: Common stock	Additional paid-in capital	Retained earnings	Unrealized loss on available-for-sale securities	Treasury stock
Balance, April 1, 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					¥(139)	
Net income				5,845		
Balance, March 31, 2002	15,173	7,586	7,142	55,674	(139)	(2)
Adjustment of retained earnings for newly consolidated subsidiaries				**(84)**		
Appropriations:						
Cash dividends				**(910)**		
Bonuses to directors and corporate auditors				**(113)**		
Net increase in treasury stock (2,836 shares)						**(7)**
Unrealized loss on available-for-sale securities					**58**	
Net income				**5,121**		
Balance, March 31, 2003	**15,173**	**¥7,586**	**¥7,142**	**¥59,688**	**¥ (81)**	**¥(9)**

	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, 2002	$63,115	$59,415	$463,178	$(1,160)	$(15)
Adjustment of retained earnings for newly consolidated subsidiaries			**(700)**		
Appropriations:					
Cash dividends			**(7,573)**		
Bonuses to directors and corporate auditors			**(941)**		
Net increase in treasury stock (2,836 shares)					**(60)**
Unrealized loss on available-for-sale securities				**486**	
Net income			**42,606**		
Balance, March 31, 2003	**$63,115**	**$59,415**	**$496,570**	**$ (674)**	**$(75)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2003 and 2002	Millions of Yen 2003	Millions of Yen 2002	Thousands of U.S. Dollars (Note 1) 2003
Operating activities:			
Income before income taxes and minority interests	**¥ 8,356**	¥ 9,602	**$ 69,519**
Adjustments for:			
Income taxes paid	**(3,382)**	(5,036)	**(28,140)**
Depreciation and amortization	**30,265**	26,551	**251,792**
Provision for employee retirement benefits	**132**	(82)	**1,096**
Loss on disposal of property, plant and equipment	**1,573**	1,102	**13,089**
Changes in operating assets and liabilities:			
Decrease (increase) in trade notes and accounts receivable	**2,169**	(3,897)	**18,047**
Decrease (increase) in inventories	**468**	(2,385)	**3,895**
(Decrease) increase in trade notes and accounts payables	**(8,786)**	577	**(73,099)**
Decrease in interest payable	**(125)**	(115)	**(1,036)**
Other — net	**(50)**	2,362	**(421)**
Total adjustments	**22,264**	19,077	**185,223**
Net cash provided by operating activities	**30,620**	28,679	**254,742**
Investing activities:			
Purchase of property, plant and equipment	**(26,309)**	(34,527)	**(218,878)**
Proceeds from sale of property, plant and equipment	**489**	440	**4,069**
Purchase of investment securities	**(2,125)**	(679)	**(17,679)**
Increase in investments in advances to unconsolidated subsidiaries and affiliates	**(251)**	(343)	**(2,088)**
Purchase of short-term investment	**(1,270)**	(2,610)	**(10,566)**
Proceeds from maturity of short-term investment	**1,620**	2,930	**13,478**
Other — net	**315**	(9)	**2,620**
Net cash used in investing activities	**(27,531)**	(34,798)	**(229,044)**
Financing activities:			
Proceeds from issuance of bonds	**13,000**	12,000	**108,153**
Proceeds from long-term debt	**14,560**	19,710	**121,131**
Repayments of long-term debt	**(30,843)**	(27,257)	**(256,599)**
Proceeds from short-term bank loans	**11,100**	5,065	**92,350**
Repayments of short-term bank loans	**(11,150)**	(2,354)	**(92,762)**
Proceeds from issuance of commercial paper	**16,000**	20,000	**133,112**
Repayments on maturity of commercial paper	**(14,000)**	(18,000)	**(116,473)**
Cash dividends paid	**(914)**	(986)	**(7,602)**
Other — net	**(261)**	(256)	**(2,174)**
Net cash provided by (used in) financing activities	**(2,508)**	7,922	**(20,864)**
Net increase in cash and cash equivalents	**581**	1,803	**4,834**
Cash and cash equivalents of newly consolidated subsidiaries, beginning of year	**334**		**2,780**
Cash and cash equivalents, beginning of year	**11,611**	9,808	**96,596**
Cash and cash equivalents, end of year	**¥12,526**	¥11,611	**$104,210**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended March 31, 2003 and 2002

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements are prepared from the consolidated financial statements which are issued for domestic reporting purposes in accordance with the provisions set forth in the Japanese Securities and Exchange Law, the Japanese 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 the accompanying 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. In addition, certain reclassifications have been made in 2002 financial statements to conform to the classifications used in 2003.

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 ¥120.20 to $1, the approximate rate of exchange at March 31, 2003. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of significant accounting policies

(a) Consolidation

The consolidated financial statements for the years ended March 31, 2003 and 2002 include the accounts of the Company and its 13 significant (eleven in 2002) subsidiaries. Under the control or influence concept, those companies in which the Company, 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. Depreciation of property, plant and equipment is provided mainly on the declining-balance method over the estimated useful lives of the assets.

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.

(c) Investment securities

All marketable and investment securities are classified and accounted for, depending upon management's intent, as follows:

available-for-sale securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

(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 liability for retirement benefits are accounted for based on projected benefit obligations and plan assets at the balance sheet date.

Severance payments to directors and corporate auditors are charged to income when authorized by resolution of the shareholders.

(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) Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders, by the weighted-average number of common shares outstanding for the period.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of 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, 2003 and 2002, consisted of the following:

	Millions of Yen			
At March 31, 2003	Original Cost	Contributions in Aid of Construction	Accumulated Depreciation	Carrying Value
Thermal power generating facilities	**¥334,092**	**¥(17,108)**	**¥(192,091)**	**¥124,893**
Transmission facilities	**125,070**	**(2,334)**	**(53,066)**	**69,670**
Transformation facilities	**81,744**	**(339)**	**(45,524)**	**35,881**
Distribution facilities	**123,522**	**(2,132)**	**(55,666)**	**65,724**
General facilities	**25,168**	**(23)**	**(11,358)**	**13,787**
Utility plants	**689,596**	**(21,936)**	**(357,705)**	**309,955**
Other plant and equipment	**36,005**		**(11,397)**	**24,608**
Construction in progress	**37,499**			**37,499**
Total	**¥763,100**	**¥(21,936)**	**¥(369,102)**	**¥372,062**

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, 2003	Thousands of U.S. Dollars Original Cost	Contributions in Aid of Construction	Accumulated Depreciation	Carrying Value
Thermal power generating facilities	**$2,779,470**	**$(142,333)**	**$(1,598,092)**	**$1,039,045**
Transmission facilities	**1,040,513**	**(19,413)**	**(441,487)**	**579,613**
Transformation facilities	**680,068**	**(2,815)**	**(378,738)**	**298,515**
Distribution facilities	**1,027,640**	**(17,740)**	**(463,109)**	**546,791**
General facilities	**209,384**	**(194)**	**(94,493)**	**114,697**
Utility plants	**5,737,075**	**(182,495)**	**(2,975,919)**	**2,578,661**
Other plant and equipment	**299,537**	**(2)**	**(94,811)**	**204,724**
Construction in progress	**311,973**			**311,973**
Total	**$6,348,585**	**$(182,497)**	**$(3,070,730)**	**$3,095,358**

4. Investment securities

The carrying amounts and aggregate fair values of investment securities at March 31, 2003 and 2002, were as follows:

At March 31, 2003	Millions of Yen Cost (Carrying amount)	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥2,520**	**¥111**	**¥239**	**¥2,392**
Debt securities	**20**			**20**
Total	**¥2,540**	**¥111**	**¥239**	**¥2,412**

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, 2003	Thousands of U.S. Dollars Cost (Carrying amount)	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$20,965**	**$923**	**$1,991**	**$19,897**
Debt securities	**166**	**4**		**170**
Total	**$21,131**	**$927**	**$1,991**	**$20,067**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2003 and 2002 were as follows:

	Carrying Amount Millions of Yen **2003**	2002	Thousands of U.S. Dollars **2003**
Available-for-sale:			
Equity securities	**¥3,018**	¥926	**$25,106**
Total	**¥3,018**	¥926	**$25,106**

The carrying values of debt securities by contractual maturities of securities classified as available-for-sale at March 31, 2003 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	$170
Due after five years through ten years		
Due after ten years		
Total	¥20	$170

5. Long-term debt

Long-term debt at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen **2003**	2002	Thousands of U.S. Dollars **2003**
Secured bond, 0.2% to 1.97% in 2003 and 0.3% to 1.97% in 2002, due serially through 2012	**¥ 50,000**	¥ 37,000	**$ 415,973**
Secured loans from Okinawa Development Finance Public Corporation, 1.10% to 6.30% in 2003 and 2002, due serially through 2024	**220,988**	234,718	**1,838,503**
Secured and unsecured loans from banks, 0.37% to 3.40% in 2003 and 0.43% to 3.10% in 2002, due serially through 2016	**15,726**	18,280	**130,837**
Secured debt with a leasing company, semi-annual payment of ¥144 million ($1,197 thousand) with interest, maturity in 2005 and 2008	**906**	1,150	**7,535**
Total	**287,620**	291,148	**2,392,848**
Less current maturity	**(32,828)**	(31,040)	**(273,115)**
Long-term debt, less current maturity	**¥254,792**	¥260,108	**$2,119,733**

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 ¥10,981 million ($91,353 thousand), are pledged as collateral for a portion of the long-term debt as of March 31, 2003.

Maturities of long-term debt outstanding at March 31, 2003 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2004	¥ 32,828	$ 273,115
2005	34,736	288,984
2006	34,200	284,522
2007	38,431	319,723
2008	24,371	202,758
2009 and thereafter	123,054	1,023,746
Total	¥287,620	$2,392,848

6. Commercial paper and short-term bank loans

The weighted average interest rates applicable to commercial paper and short-term bank loans were 0.01% and 0.38% at March 31, 2003 and 0.04% and 0.41% at March 31, 2002, respectively.

7. Employee retirement benefits

The Companies have unfunded retirement plans for all of their employees. Additionally, the Company and most of the consolidated subsidiaries have non-contributory funded defined benefit pension plans covering substantially all of their employees.

Under the 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, 2003 and 2002 consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Projected benefit obligation	**¥26,146**	¥25,553	**$217,522**
Fair value of pension assets	**(7,781)**	(8,307)	**(64,732)**
Unrecognized actuarial loss	**(1,829)**	(842)	**(15,220)**
Net liability for retirement benefits	**¥16,536**	¥16,404	**$137,570**

The components of net periodic retirement benefit costs for the years ended March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Service cost	**¥1,330**	¥1,297	**$11,071**
Interest cost	**662**	682	**5,506**
Expected return on plan assets			
Amortization of transitional obligation	**(179)**		**(1,492)**
Recognized actuarial loss	**311**	392	**2,585**
Net periodic retirement benefit costs	**¥2,124**	¥2,371	**$17,670**

Assumptions for actuarial computations for the years ended March 31, 2003 and 2002 were set forth as follows:

	2003	2002
Discount rate	**2.5%**	3.0%
Expected rate of return on plan assets	**0.0%**	0.0%
Amortization period of prior service cost	**1year**	
Recognition period of actuarial gain/loss	**primarily 5 years**	primarily 5 years

8. Income taxes

The Companies are subject to several taxes based on income. For the years ended March 31, 2003 and 2002, 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, 2003 and 2002, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Deferred tax assets:			
Unrealized profit	**¥ 4,438**	¥ 4,287	**$36,926**
Tax loss carry forwards	**915**	1,382	**7,610**
Pension and severance costs	**4,481**	3,733	**37,278**
Other	**3,331**	3,099	**27,716**
Sub-total	**13,165**	12,501	**109,530**
Less: valuation allowance	**(943)**	(1,391)	**(7,846)**
Total deferred tax assets	**12,222**	11,110	**101,684**
Deferred tax liabilities:			
Unrealized gain on land revaluation, other	**(453)**	(459)	**(3,767)**
Net deferred tax assets	**¥11,769**	¥10,651	**$97,917**

Reconciliations between the normal effective statutory tax rate for the years ended March 31, 2003 and 2002 and the actual effective tax rate reflected in the accompanying consolidated statements of income were as follows:

	2003	2002
Normal effective statutory tax rate	**35.0%**	35.0%
Expenses not deductible for income tax purposes	**1.5**	4.6
Investment tax credits	**(3.2)**	(2.9)
Statutory tax rate differences between the Company and consolidated subsidiaries	**1.7**	
Other–net	**2.3**	(0.9)
Actual effective tax rate	**37.3%**	35.8%

9. Lease

The Companies lease certain automobiles and office equipment. Total lease payments under the above leases for the years ended March 31, 2003 and 2002 were ¥605 million ($5,036 thousand) and ¥319 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 an "as if capitalized" basis for the years ended March 31, 2003 and 2002 were as follows:

	Millions of Yen		
As of March 31, 2003	General Facilities	Other	Total
Acquisition cost	**¥1,709**	**¥2,173**	**¥3,882**
Accumulated depreciation	**(545)**	**(272)**	**(817)**
Net leased property	**¥1,164**	**¥1,901**	**¥3,065**

	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

As of March 31, 2003	Thousands of U.S. Dollars General Facilities	Other	Total
Acquisition cost	**$14,215**	**$18,079**	**$32,294**
Accumulated depreciation	**(4,530)**	**(2,262)**	**(6,792)**
Net leased property	**$ 9,685**	**$15,817**	**$25,502**

Obligations under finance leases as of March 31, 2003 and 2002:

	Millions of Yen 2003	2002	Thousands of U.S. Dollars 2003
Due within one year	**¥ 633**	¥ 483	**$ 5,269**
Due after one year	**2,432**	1,160	**20,233**
Total	**¥3,065**	¥1,643	**$25,502**

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 ¥605 million ($5,036 thousand) and ¥319 million for the years ended March 31, 2003 and 2002, 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, 2003 and 2002 was ¥60 million ($499 thousand) and ¥66 million, respectively.

At March 31, 2003 and 2002, summaries of the above leased property were as follows:

	Millions of Yen 2003	2002	Thousands of U.S. Dollars 2003
Other equipment:			
Acquisition cost	**¥272**	¥245	**$2,264**
Accumulated depreciation	**(143)**	(148)	**(1,193)**
Net leased property	**¥129**	¥ 97	**$1,071**

At March 31, 2003 and 2002, the total lease payments to be received from the above leases were as follows:

	Millions of Yen 2003	2002	Thousands of U.S. Dollars 2003
Due within one year	**¥ 59**	¥ 58	**$ 493**
Due after one year	**117**	100	**969**
Total	**¥176**	¥158	**$1,462**

10. Contingent liabilities

As of March 31, 2003, the Company was contingently liable for:

Guarantees and items of a similar nature of loans of customer amounting to ¥268 million ($2,234 thousand).

Redemption of bonds transferred to banks under the debt assumption agreements amounting to ¥2,000 million ($16,639 thousand).

11. Shareholders' equity

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

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese 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 beginning April 1, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The amount of retained earnings available for dividends under the Code was ¥56,634 million ($471,167 thousand) as of March 31, 2003, based on the amount recorded in the parent company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

12. Research and development costs

Research and development costs charged to income were ¥1,163 million ($9,672 thousand) and ¥1,171 million for the years ended March 31, 2003 and 2002, respectively.

13. Segment information

Information about operations in different industry segments of the Companies for the years ended March 31, 2003 and 2002 is as follows:

	Millions of Yen					Thousands of U.S. Dollars				
2003	Electric	Construction	Other	Elimination	Consolidated	Electric	Construction	Other	Elimination	Consolidated
Sales to customers	**¥133,738**	**¥ 3,397**	**¥ 7,937**		**¥145,072**	**$1,112,632**	**$ 28,260**	**$ 66,035**		**$1,206,927**
Intersegment sales	**236**	**19,440**	**22,915**	**¥(42,591)**		**1,961**	**161,729**	**190,644**	**$(354,334)**	
Total operating revenues	**133,974**	**22,837**	**30,852**	**(42,591)**	**145,072**	**1,114,593**	**189,989**	**256,679**	**(354,334)**	**1,206,927**
Operating expenses	**119,338**	**22,048**	**28,770**	**(42,118)**	**128,038**	**992,830**	**183,426**	**239,350**	**(350,396)**	**1,065,210**
Operating income	**¥ 14,636**	**¥ 789**	**¥ 2,082**	**¥ (473)**	**¥ 17,034**	**$ 121,763**	**$ 6,563**	**$ 17,329**	**$ (3,938)**	**$ 141,717**
Total assets	**¥386,258**	**¥12,506**	**¥36,724**	**¥(14,407)**	**¥421,081**	**$3,213,463**	**$104,044**	**$305,520**	**$(119,858)**	**$3,503,169**
Depreciation and amortization	**28,812**	**92**	**2,294**	**(933)**	**30,265**	**239,703**	**763**	**19,084**	**(7,758)**	**251,792**
Capital investments	**23,494**	**427**	**4,317**	**(1,484)**	**26,754**	**195,454**	**3,557**	**35,913**	**(12,347)**	**222,577**

	Millions of Yen				
2002	Electric	Construction	Other	Elimination	Consolidated
Sales to customers	¥138,568	¥ 6,893	¥ 7,253		¥152,714
Intersegment sales		15,616	22,906	¥(38,522)	
Total operating revenues	138,568	22,509	30,159	(38,522)	152,714
Operating expenses	122,168	21,812	28,032	(38,185)	133,827
Operating income	¥ 16,400	¥ 697	¥ 2,127	¥ (337)	¥ 18,887
Total assets	¥393,657	¥16,857	¥35,386	¥(19,694)	¥426,206
Depreciation and amortization	25,252	81	2,160	(942)	26,551
Capital investments	32,593	373	3,013	(1,143)	34,836

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, 2003 and 2002.

14. Subsequent event

The following appropriations of retained earnings at March 31, 2003 were approved at the shareholders' meeting held on June 27, 2003:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30 (25¢) per share	¥455	$3,786
Bonuses to directors and corporate auditors	84	702

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Independent Auditors' Report

To the Board of Directors of
The Okinawa Electric Power Company, Incorporated:

We have audited the accompanying consolidated balance sheets of The Okinawa Electric Power Company, Incorporated and consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Okinawa Electric Power Company, Incorporated and consolidated subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

Our audits 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, 2003

Non-Consolidated Balance Sheets

March 31, 2003 and 2002	Millions of Yen 2003	Millions of Yen 2002	Thousands of U.S. Dollars (Note 1) 2003
Assets			
Property, plant and equipment (Note 3)**:**			
Utility plants and equipment	**¥710,939**	¥693,865	**$5,914,632**
Construction in progress (Note 12)	**38,072**	36,772	**316,743**
	749,011	730,637	**6,231,375**
Less:			
Contributions in aid of construction	**(21,936)**	(21,758)	**(182,497)**
Accumulated depreciation	**(367,875)**	(342,478)	**(3,060,525)**
	(389,811)	(364,236)	**(3,243,022)**
Net property, plant and equipment	**359,200**	366,401	**2,988,353**
Investments and other assets:			
Investment securities (Note 4)	**5,136**	2,964	**42,732**
Investments in and advances to subsidiaries and affiliates	**11,375**	8,032	**94,636**
Deferred tax assets (Note 7)	**6,382**	5,756	**53,090**
Other assets	**680**	815	**5,663**
Allowance for doubtful accounts	**(3,182)**	(3,221)	**(26,478)**
Total investments and other assets	**20,391**	14,346	**169,643**
Current assets:			
Cash and cash equivalents	**4,874**	6,655	**40,547**
Short-term investment	**280**	1,000	**2,330**
Trade accounts receivable, less allowance for doubtful accounts of ¥162 ($1,346) — 2003, ¥156 — 2002	**4,064**	4,329	**33,809**
Fuel and supplies inventories	**5,394**	5,272	**44,872**
Deferred tax assets (Note 7)	**988**	905	**8,221**
Other current assets	**69**	86	**579**
Total current assets	**15,669**	18,247	**130,358**
Total	**¥395,260**	¥398,994	**$3,288,354**
Liabilities and shareholders' equity			
Long-term liabilities:			
Long-term debt, less current maturities (Note 5)	**¥242,785**	¥247,390	**$2,019,838**
Liabilities for employee retirement benefits	**14,214**	14,298	**118,256**
Other long-term liabilities	**6**		**49**
Total long-term liabilities	**257,005**	261,688	**2,138,143**
Current liabilities:			
Current maturities of long-term debt (Note 5)	**31,605**	29,828	**262,939**
Commercial paper (Note 6)	**4,000**	2,000	**33,278**
Short-term bank loan (Note 6)	**5,000**	5,000	**41,601**
Trade accounts payable (Note 12)	**12,245**	19,200	**101,868**
Income taxes payable (Note 7)	**1,723**	821	**14,332**
Accrued expenses (Note 12)	**9,341**	9,750	**77,712**
Other current liabilities	**2,014**	1,875	**16,756**
Total current liabilities	**65,928**	68,474	**548,486**
Commitment and contingent liabilities (Notes 8 and 9)			
Shareholders' equity (Notes 10 and 13)**:**			
Common stock,			
Authorized — 30,000,000 shares			
Issued — 15,172,921 shares (2003 and 2002)	**7,586**	7,586	**63,115**
Capital surplus			
Additional paid-in capital	**7,142**	7,142	**59,415**
Retained earnings			
Legal reserve	**965**	965	**8,028**
Unappropriated	**56,721**	53,273	**471,892**
Unrealized loss on available-for-sale securities	**(78)**	(132)	**(650)**
Treasury stock — at cost			
3,624 shares in 2003 and 788 shares in 2002	**(9)**	(2)	**(75)**
Total shareholders' equity	**72,327**	68,832	**601,725**
Total	**¥395,260**	¥398,994	**$3,288,354**

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Income

Years ended March 31, 2003 and 2002	Millions of Yen 2003	Millions of Yen 2002	Thousands of U.S. Dollars (Note 1) 2003
Operating revenues	**¥134,141**	¥138,568	**$1,115,984**
Operating expenses (Notes 8, 11 and 12):			
Fuel	**21,127**	26,798	**175,762**
Purchased power	**12,300**	12,668	**102,331**
Depreciation	**28,796**	25,244	**239,572**
Repair and maintenance	**15,727**	16,482	**130,838**
Taxes other than income taxes	**6,613**	6,547	**55,017**
Other	**35,016**	34,429	**291,317**
Total operating expenses	**119,579**	122,168	**994,837**
Operating income	**14,562**	16,400	**121,147**
Other expenses:			
Interest expense (Notes 5 and 6)	**7,923**	8,698	**65,912**
Other — net	**39**	389	**323**
Net other expenses	**7,962**	9,087	**66,235**
Income before income taxes	**6,600**	7,313	**54,912**
Income taxes (Note 7):			
Current	**2,906**	2,812	**24,180**
Deferred	**(737)**	(307)	**(6,132)**
Total	**2,169**	2,505	**18,048**
Net income	**¥ 4,431**	¥ 4,808	**$ 36,864**

	Yen 2003	Yen 2002	U.S. Dollars 2003
Per share of common stock (Note 2 (h)):			
Basic net income	**¥286.52**	¥316.86	**$2.38**
Cash dividends applicable to the year	**60.00**	60.00	**0.50**

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Shareholders' Equity

Years ended March 31, 2003 and 2002	Thousands: Issued number of shares of common stock	Millions of Yen: Common stock	Capital surplus: Additional paid-in capital	Retained earnings: Legal reserve	Retained earnings: Unappropriated	Unrealized loss on available-for-sale securities	Treasury stock
Balance, April 1, 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)							¥(2)
Unrealized loss on available-for-sale securities						¥(132)	
Net income					4,808		
Balance, March 31, 2002	15,173	7,586	7,142	965	53,273	(132)	(2)
Appropriations:							
Cash dividends					**(911)**		
Transfer to legal reserve							
Bonuses to directors and corporate auditors					**(72)**		
Increase in treasury stock (2,836 shares)							**(7)**
Unrealized loss on available-for-sale securities						**54**	
Net income					**4,431**		
Balance, March 31, 2003	**15,173**	**¥7,586**	**¥7,142**	**¥965**	**¥56,721**	**¥ (78)**	**¥(9)**

	Thousands of U.S. Dollars (Note 1): Common stock	Capital surplus: Additional paid-in capital	Retained earnings: Legal reserve	Retained earnings: Unappropriated	Unrealized loss on available-for-sale securities	Treasury stock
Balance, March 31, 2002	$63,115	$59,415	$8,028	$443,200	$(1,100)	$(14)
Appropriations:						
Cash dividends				**(7,573)**		
Transfer to legal reserve						
Bonuses to directors and corporate auditors				**(599)**		
Increase in treasury stock (2,836 shares)						**(61)**
Unrealized loss on available-for-sale securities					**450**	
Net income				**36,864**		
Balance, March 31, 2003	**$63,115**	**$59,415**	**$8,028**	**$471,892**	**$ (650)**	**$(75)**

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Cash Flows

Years ended March 31, 2003 and 2002	Millions of Yen 2003	Millions of Yen 2002	Thousands of U.S. Dollars (Note 1) 2003
Operating activities:			
Income before income taxes	**¥ 6,600**	¥ 7,313	**$ 54,912**
Adjustments for:			
Income taxes paid	**(2,004)**	(4,149)	**(16,678)**
Depreciation and amortization	**28,874**	25,270	**240,219**
Provision for doubtful accounts	**(33)**	189	**(274)**
Provision for employee retirement benefits	**(84)**	(247)	**(700)**
Loss on disposal of property, plant and equipment	**934**	940	**7,769**
Devaluation loss of investment securities	**33**	10	**275**
Devaluation loss of securities of affiliates	**28**		**235**
Changes in operating assets and liabilities:			
Increase in trade accounts receivable	**260**	(486)	**2,165**
(Increase) decrease in fuel and supplies inventories	**17**	(2,086)	**138**
Increase (decrease) in trade accounts payables	**(6,952)**	(954)	**(57,839)**
(Decrease) increase in interest payable	**(119)**	(118)	**(989)**
Other — net	**(220)**	629	**(1,831)**
Total adjustments	**20,734**	18,998	**172,490**
Net cash provided by operating activities	**27,334**	26,311	**227,402**
Investing activities:			
Purchases of utility plants	**(23,213)**	(32,445)	**(193,124)**
Proceeds from sales of property, plant and equipment	**487**	423	**4,055**
Purchase of investment securities	**(2,123)**	(938)	**(17,662)**
Increase in investments in and advances to subsidiaries and affiliates	**(3,382)**	(394)	**(28,133)**
Purchase of short-term investment	**(280)**	(1,500)	**(2,329)**
Proceeds from maturity of short-term investment	**1,000**	1,730	**8,319**
Other — net	**138**	274	**1,145**
Net cash used in investing activities	**(27,373)**	(32,850)	**(227,729)**
Financing activities:			
Proceeds from issuance of bonds	**13,000**	12,000	**108,153**
Proceeds from long-term debt	**14,000**	19,000	**116,473**
Repayments of long-term debt	**(29,828)**	(26,300)	**(248,156)**
Proceeds from short-term bank loans	**11,000**	5,000	**91,518**
Repayments of short-term bank loans	**(11,000)**	(2,000)	**(91,514)**
Proceeds from issuance of commercial paper	**16,000**	20,000	**133,111**
Repayments on maturity of commercial paper	**(14,000)**	(18,000)	**(116,473)**
Cash dividends paid	**(914)**	(986)	**(7,602)**
Net cash provided by financing activities	**(1,742)**	8,714	**(14,490)**
Net increase (decrease) in cash and cash equivalents	**(1,781)**	2,175	**(14,817)**
Cash and cash equivalents, beginning of year	**6,655**	4,480	**55,364**
Cash and cash equivalents, end of year	**¥ 4,874**	¥ 6,655	**$ 40,547**

See notes to non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements

Years ended March 31, 2003 and 2002

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 Japanese 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. In addition, certain reclassifications have been made in 2002 non-consolidated financial statements to conform to the presentations and classifications used in 2003. 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 ¥120.20 to $1, the approximate rate of exchange at March 31, 2003. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of significant accounting policies

(a) Property plant and equipment

Property, plant and equipment are stated at cost. Depreciation of utility plants is provided on the declining-balance method over the estimated useful lives of the assets.

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.

(b) Investment securities

All marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

i) available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

ii) investments in subsidiaries and affiliates are stated at cost, determined by the moving average method.

(c) 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.

(d) Fuel and supplies inventories

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

(e) Severance payments and pension plan

The liability for retirement benefits are accounted for based on projected benefit obligations and plan assets at the balance sheet date.

Severance payments to directors and corporate auditors are charged to income when authorized by resolution of the shareholders.

(f) Income taxes

The provision for income taxes is computed based on the pretax income included in the non-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.

(g) 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.

(h) Per share information

Basic net income per share is computed by dividing net income available to common shareholders, by the weighted-average number of common shares outstanding for the period.

Cash dividends per share presented in the accompanying statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

(i) 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.

(j) 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, 2003 and 2002, consisted of the following:

	Millions of Yen			
At March 31, 2003	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power generating facilities	**¥337,290**	**¥(17,109)**	**¥(194,053)**	**¥126,128**
Transmission facilities	**130,821**	**(2,333)**	**(55,896)**	**72,592**
Transformation facilities	**84,691**	**(338)**	**(47,088)**	**37,265**
Distribution facilities	**129,655**	**(2,132)**	**(58,024)**	**69,499**
General facilities	**28,482**	**(24)**	**(12,814)**	**15,644**
Utility plants and equipment	**710,939**	**(21,936)**	**(367,875)**	**321,128**
Construction in progress	**38,072**			**38,072**
Total	**¥749,011**	**¥(21,936)**	**¥(367,875)**	**¥359,200**

	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

	Thousands of U.S. Dollars			
At March 31, 2003	Original cost	Contributions in aid of construction	Accumulated depreciation	Carrying value
Thermal power generating facilities	**$2,806,074**	**$(142,333)**	**$(1,614,418)**	**$1,049,323**
Transmission facilities	**1,088,361**	**(19,413)**	**(465,023)**	**603,925**
Transformation facilities	**704,581**	**(2,815)**	**(391,744)**	**310,022**
Distribution facilities	**1,078,659**	**(17,740)**	**(482,726)**	**578,193**
General facilities	**236,957**	**(196)**	**(106,614)**	**130,147**
Utility plants and equipment	**5,914,632**	**(182,497)**	**(3,060,525)**	**2,671,610**
Construction in progress	**316,743**			**316,743**
Total	**$6,231,375**	**$(182,497)**	**$(3,060,525)**	**$2,988,353**

4. Investment securities

At March 31, 2003, the unrealized loss of market value over the carrying amount of quoted securities was ¥120 million ($997 thousand), at March 31, 2002, the unrealized loss of which was ¥203 million.

5. Long-term debt

Long-term debt at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Secured bond, 0.20% to 1.97% in 2003 and 0.30% to 1.97% in 2002, due serially through 2012	**¥ 50,000**	¥ 37,000	**$ 415,973**
Secured loans from Okinawa Development Finance Public Corporation, 1.10% to 6.30% in 2003 and 2002, due serially through 2017	**215,987**	229,744	**1,796,899**
Unsecured loans from banks, 0.37% to 2.50% in 2003 and 0.43% to 2.90% in 2002, due serially 2014	**8,403**	10,474	**69,905**
Total	**274,390**	277,218	**2,282,777**
Less current maturity	**(31,605)**	(29,828)	**(262,939)**
Long-term debt, less current maturity	**¥242,785**	¥247,390	**$2,019,838**

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).

The aggregate annual maturities of long-term debt outstanding at March 31, 2003 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2004	¥ 31,605	$ 262,939
2005	33,422	278,052
2006	32,991	274,463
2007	36,842	306,504
2008	23,317	193,986
2009 and thereafter	116,213	966,833
Total	¥274,390	$2,282,777

6. Commercial paper and short-term bank loans

The weighted average interest rates applicable to commercial paper and short-term bank loans were 0.01% and 0.38% at March 31, 2003 and 0.04% and 0.41% at March 31, 2002, respectively.

7. Income taxes

The Company is subject to national corporate tax and local inhabitant taxes based on income with aggregate normal statutory tax rates of approximately 35% for the years ended March 31, 2003 and 2002, respectively.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2003 and 2002, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Deferred tax assets:			
Allowance for doubtful accounts	**¥1,119**	¥1,135	**$ 9,306**
Pension and severance costs	**3,816**	3,229	**31,745**
Other non-current assets	**1,881**	1,826	**15,653**
Other	**988**	905	**8,221**
Total deferred tax assets	**7,804**	7,095	**64,925**
Deferred tax liabilities:			
Unrealized gain on land revaluation	**(434**	(434	**(3,614)**
Net deferred tax assets	**¥7,370**	¥6,661	**$61,311**

Reconciliations between the normal effective statutory tax rate for the years ended March 31, 2003 and 2002 and the actual effective tax rate reflected in the accompanying non-consolidated statements of income were as follows:

	2003	2002
Normal effective statutory tax rate	**35.0%**	35.0%
Expenses not deductible for income tax purposes	**1.1**	3.8
Investment tax credits	**(4.0)**	(3.9)
Other — net	**0.8**	(0.6)
Actual effective tax rate	**32.9%**	34.3%

8. Lease

The Company leases certain automobiles and office equipment. Total lease payments under the above leases for the years ended March 31, 2003 and 2002 were ¥549 million ($4,564 thousand) and ¥309 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 an "as if capitalized" basis for the years ended March 31, 2003 and 2002 were as follows:

	Millions of Yen		
As of March 31, 2003	General facilities	Other	Total
Acquisition cost	**¥2,628**	**¥29**	**¥2,657**
Accumulated depreciation	**(916)**	**(12)**	**(928)**
Net leased property	**¥1,712**	**¥17**	**¥1,729**

	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

	Thousands of U.S. Dollars		
As of March 31, 2003	General facilities	Other	Total
Acquisition cost	**$21,864**	**$243**	**$22,107**
Accumulated depreciation	**(7,616)**	**(105)**	**(7,721)**
Net leased property	**$14,248**	**$138**	**$14,386**

Obligations under finance leases as of March 31, 2003 and 2002:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Due within one year	**¥ 507**	¥ 547	**$ 4,217**
Due after one year	**1,222**	1,716	**10,169**
Total	**¥1,729**	¥2,263	**$14,386**

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 ¥549 million ($4,564 thousand) and ¥309 million for the years ended March 31, 2003 and 2002, respectively.

9. Contingent liabilities

At March 31, 2003, the Company was contingently liable as a guarantor for loans of a subsidiary in the amount of ¥5,803 million ($48,278 thousand).

Under the debt assumption agreements, the Company was contingently liable for the redemption of bonds transferred to banks in the amount of ¥2,000 million ($16,639 thousand) as of March 31, 2003.

10. Shareholders' equity

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

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese 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 beginning April 1, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders' meeting.

The amount of retained earnings available for dividends under the Code was ¥56,634 million ($471,167 thousand) as of March 31, 2003 appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained 2003, based on the amount recorded in the parent company's general books of account. In addition to the provision that requires earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

11. Research and development costs

Research and development costs charged to income were ¥1,163 million ($9,672 thousand) and ¥1,171 million for the years ended March 31, 2003 and 2002, respectively.

12. Related party transactions

The following is a summary of transactions and balances with subsidiaries and affiliates for the years ended March 31, 2003 and 2002:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Transactions:			
Construction cost and facilities	**¥16,412**	¥12,534	**$136,540**
Repair and other operating expenses	**22,437**	25,050	**186,666**
Balance of accounts:			
Trade accounts payable	**¥ 3,372**	¥ 3,907	**$ 28,052**
Accrued expenses	**3,623**	4,056	**30,137**

13. Subsequent event

The following appropriations of retained earnings at March 31, 2003 were approved at the shareholders' meeting held on June 27, 2003:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30 (25¢) per share	¥455	$3,786
Bonuses to directors and corporate auditors	84	702

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Independent Auditors' Report

To the Board of Directors of
The Okinawa Electric Power Company, Incorporated:

We have audited the accompanying non-consolidated balance sheets of The Okinawa Electric Power Company, Incorporated as of March 31, 2003 and 2002, and the related non-consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Okinawa Electric Power Company, Incorporated as of March 31, 2003 and 2002, and the results of its operations for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

Our audits 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, 2003

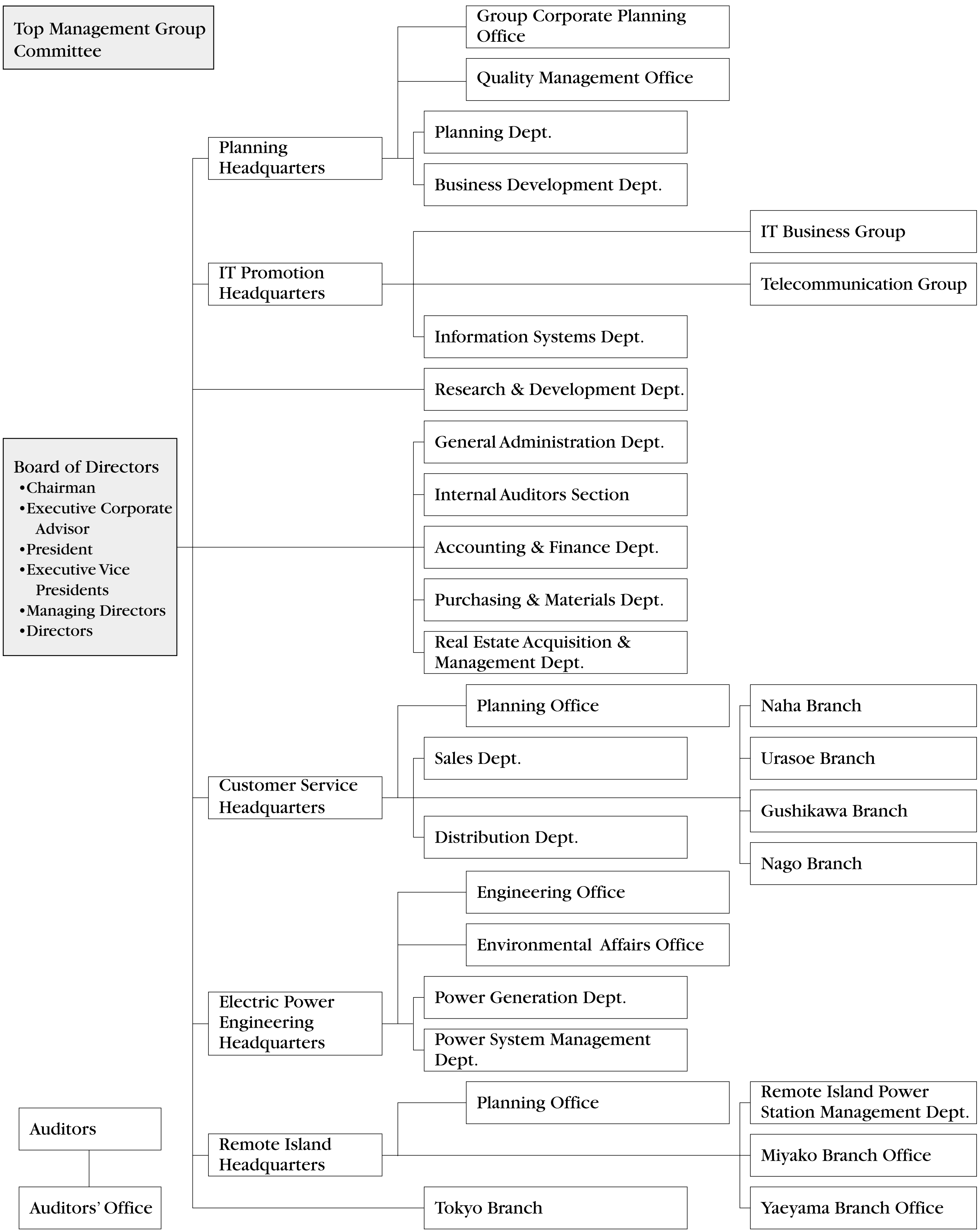
Consolidated Five-Year Summary

Years ended March 31

	Millions of Yen				
Financial Statistics	**2003**	2002	2001	2000	1999
For the year:					
Operating revenues	**¥145,072**	¥152,714	¥143,797	¥141,820	¥136,319
Electric	**133,738**	138,568	133,945	131,571	134,471
Other	**11,334**	14,146	9,852	10,249	1,848
Operating expenses	**128,038**	133,827	126,562	120,298	115,684
Electric	**117,456**	120,842	117,033	108,891	113,494
Other	**10,582**	12,985	9,529	11,407	2,190
Interest expense	**8,195**	8,986	9,746	9,720	10,442
Income before income taxes and minority interests	**8,356**	9,602	7,018	7,606	6,392
Income taxes	**3,112**	3,434	3,094	3,183	4,419
Net income	**5,121**	5,845	3,537	4,263	1,973
Per share of common stock (Yen):					
Basic net income	**329.01**	385.22	233.08	280.95	132.66
Cash dividends applicable to the year	**60.00**	60.00	60.00	50.00	50.00
At year-end:					
Total assets	**¥421,081**	¥426,206	¥411,456	¥392,749	¥344,581
Net property, plant and equipment	**372,062**	377,978	371,887	350,601	310,174
Long-term debt, less current maturities	**254,792**	260,108	259,638	242,738	215,110
Total shareholders' equity	**74,326**	70,261	65,650	62,956	56,794

Operating Statistics	**2003**	2002	2001	2000	1999
For the year:					
Electric energy sales (Millions of kWh)	**6,883**	6,889	6,626	6,558	6,616
Peak load (Thousands of kW)	**1,325**	1,396	1,329	1,322	1,337
At year-end:					
Generating capacity (Thousands of kW)	**1,676**	1,676	1,456	1,445	1,445
Transmission lines (km)	**799**	787	767	680	668
Distribution lines (km)	**10,372**	10,329	10,109	9,911	9,772

Organization Chart



(As of July 1, 2003)

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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
¥395,260 million

Number of Customers
770,704 (Includes users of both lighting and power)

Number of Employees
1,502

(As of March 31, 2003)

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	153,325
Total	21	1,676,325

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

Investor Information

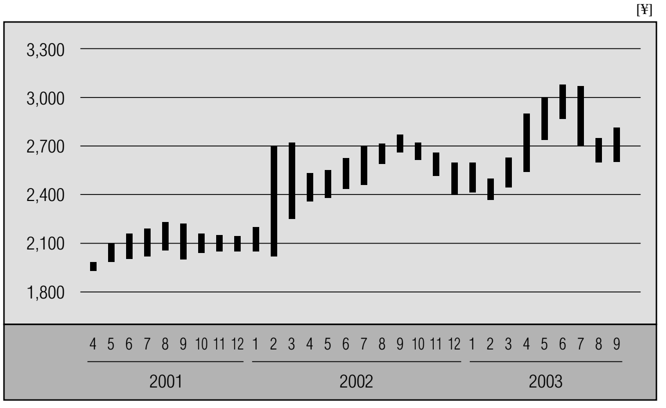
Transfer Agent and Registrar
The Mitsubishi Trust & Banking Corporation
11-1, Nagata-cho 2-chome, Chiyoda-ku, Tokyo 100-8212, Japan

Securities Traded
Tokyo Stock Exchange, Fukuoka Stock Exchange

Common Stock Issued
15,172,921 shares

Number of Shareholders
6,999

Stock Price Range on the Tokyo Stock Exchange



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	91.7%
Okinawa Plant Kogyo Co., Inc.	¥32 million	Peripheral operations related to electric power business	89.9%
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%
The Okiden Global Systems Company, Incorporated	¥20 million	Information and telecommunications	100.0%
Okiden Sekkei Co., Ltd.	¥40 million	Construction	95.5%
Astel Okinawa Corp.	¥1,000 million	Information and telecommunications	65.2%
Okinawa New Energy Development Co., Inc.	¥49 million	Construction	42.1%
Okinawa Telecommunication Network Co., Inc.	¥700 million	Information and telecommunications	43.9%
Okisetsubi Company, Limited	¥20 million	Construction	48.0%
First Riding Technology Co., Inc.	¥945 million	Information and telecommunications	74.3%
Progressive Energy Corp.	¥100 million	Dispersed generating plant business	58.0%

Board of Directors and Auditors

Hirokazu Nakaima
Chairman

Sojin Toyama
Executive
Corporate Advisor

Tsugiyoshi Toma
President

Kazuhiro Nakada
Executive
Vice President

Yasushi Kayamoto
Executive
Vice President

Shin Kadena
Executive
Vice President

Chairman:
Hirokazu Nakaima

Executive Corporate Advisor:
Sojin Toyama

President:
Tsugiyoshi Toma

Executive Vice Presidents:
Kazuhiro Nakada
Yasushi Kayamoto
Shin Kadena

Managing Directors:
Hiroshi Teruya
Ken Tamaki
Denichiro Ishimine

Directors:
Akira Sakuma
Seiyu Ishikawa
Kunio Oroku

Standing Auditors:
Choko Takamine
Hajime Ota

External Auditors:
Honshin Aharen
Katsuko Asato

(As of June 27, 2003)

The Okinawa Electric Power Company, Incorporated

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