

# Management Topics

\* Excerpt from "Management Overview" and "Management Reference Materials".

**May 2024**



The Okinawa Electric Power Company, Inc.

# Financial Results for FY2023 (Year-on-Year Comparison)

(Unit: million yen, X)

	Consolidated (A)				Non-consolidated (B)				(A) / (B)	
	FY2022 (Results)	FY2023 (Results)	Change	Rate of Change	FY2022 (Results)	FY2023 (Results)	Change	Rate of Change	FY2022 (Results)	FY2023 (Results)
Sales	223,517	236,394	12,876	+5.8%	213,383	225,609	12,226	+5.7%	1.05	1.05
Operating income	-48,406	3,481	51,888	—	-50,582	1,027	51,610	—	—	3.39
Ordinary income	-48,799	2,568	51,367	—	-50,245	387	50,632	—	—	6.63
Net income	-45,457*	2,391*	47,848	—	-45,934	1,200	47,135	—	—	1.99

\* Net income attributable to owners of parent.

## Consolidated and Non-consolidated : Increase in Sales and Income for the first time in 6 years (First profit in 2 years)

### 【Revenue】

- Increase in Sales due to the price revision in Electric business.

### 【Expenditure】

- Decrease in Fuel costs and Purchased power costs due to lower fuel price in Electric business.
- Increase in Non-current assets retirement costs, due to the retirement of the damaged coal unloader at the Gushikawa Thermal Power Plant in Electric business.

# Annual Outlook Summary FY2024

(Unit: million yen, X)

	Consolidated(A)			Non-consolidated(B)			(A) / (B)	
	FY2023 (Results)	FY2024 (Forecasts)	Rate of Change	FY2023 (Results)	FY2024 (Forecasts)	Rate of Change	FY2023 (Results)	FY2024 (Forecasts)
Sales	236,394	227,500	-3.8%	225,609	213,400	-5.4%	1.05	1.07
Operating income	3,481	8,100	+132.6%	1,027	6,200	+503.3%	3.39	1.31
Ordinary income	2,568	6,800	+164.8%	387	5,000	—	6.63	1.36
Net income	2,391*	5,000*	+109.1%	1,200	4,000	+233.2%	1.99	1.25

\* Net income attributable to owners of parent.

## Consolidated and Non-consolidated : Decrease in Sales, Increase in Income for the first time in 4 years

### 【Revenue】

- Increase due to incremental Electricity sales volume and the price revision (June 2023).
- Decrease in sales due to the Fuel cost adjustment system.

### 【Expenditure】

- Decrease in Fuel costs and Purchased power costs due to lower fuel prices in Electric business.

# Effective Utilization of Management Results: Shareholder Return Policy

## Basic policy on shareholder return \*

- For the distribution of profits, our company will maintain a “consolidated dividend on Equity ratio (DOE) of at least 2.0%” based on a “stable and continuous dividend” policy.

\*However, since the financial base has seriously deteriorated in the wake of the large deficit for FY2022, we have set the three years through FY2025 as a recovery period in which we will focus on restoring our financial base.

During the period, we will raise the dividend level in stages, aiming to return to the previous level after the end of the recovery period. The amount of dividends for each fiscal year will be determined in consideration of the balance between recovery of the damaged financial base and return to shareholders.

### [FY2023 Dividend]

For the year-end dividend for FY2023, we plans to propose a year-end dividend of 5 yen per share to the general meeting of shareholders, and together with the interim dividend, an annual dividend of 10 yen per share.

### [FY2024 Dividend Forecast]

For FY 2024, we plans to pay an interim dividend of 10 yen per share and a year-end dividend of 10 yen per share, for an annual dividend of 20 yen per share.

	Dividend per share (yen)		
	Interim	Year-end	Annual
FY2023	5	5	10
FY2024 (Forecast)	10	10	20

# Management Goals

- Toward the realization of “what the Okinawa Electric Power Company (OECF) Group aims to be,” for this fiscal year, the Company will speed up the initiatives of “Promote the topline expansion” and “Improve efficiency aggressively” by the entire group working as one team in accordance with the “OECF Group Medium-term Management Plan 2025,” formulated under the management philosophy, whereby the Company aims at not only achieving stable supply, the principal mission of the Company, and the V-shaped recovery of business performance but also the early restoration of the damaged financial base within the recovery period.
- Simultaneously, the Company steadily drives initiatives, including the challenge to realize carbon neutrality and the advancement of human resources strategy, and strives to achieve sustainable growth and enhance medium-to long-term corporate value.

Themes for this fiscal year

Accelerate measures in the Medium-term Management Plan

Challenge to realize carbon neutrality

Advancement of human resources strategy

Recovery period

Ordinary income: 12 billion yen or more

ROE 5% or more

Shareholders equity ratio: 25% or more\*

\*The Company will aim at 30% in the future

- ▼ April 2023: Free rates were revised
- ▼ June 2023: Regulated rates were revised
- ▼ The Company recorded a loss equivalent to the last 10 years' profit
- ▼ The Company posted a net loss for the first time since the adoption of consolidation
- ▼ The financial base was damaged

Returned to the black

Aim at achieving the V-shaped recovery of business performance

[Breakdown of financial goals (ordinary income)]

Business portfolio (2025)

Electric Business	8 billion yen
Group Businesses	4 billion yen

Consolidated ordinary income:  
(100 million yen)

113

27

FY2020

FY2021

FY2022

FY2023

FY2024

FY2025

-487

# Basic Management Stance

## 1. Dedicated to a stable supply of energy

- The Company's fundamental mission is to provide energy stably that is essential for supporting the everyday lives and economic activities of its customers.
- The Company does its utmost to realize a stable supply of quality energy by conducting drills and taking steps on a daily basis in preparation for natural disasters and cyber attacks while recognizing the significance of the inspection and maintenance of supply facilities anew.
- Fuel procurement is an essential factor in ensuring a stable supply of energy. Accordingly, the Company pays as much attention as possible to stable and low-cost procurement through actions, including diversifying procurement sources and reducing price fluctuation risks, and then examine and carry out all possible measures.

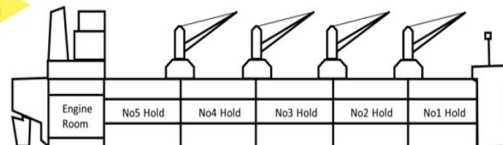
### ■ Coal unloader at Gushikawa Thermal Power Plant

- Regarding the damage to the coal unloader at the Gushikawa Thermal Power Plant, which occurred in July 2023, as the Company is able to ensure the sufficient supply capacity that includes other plants in the main island, there will be no impact on the stable supply of energy.
- Through ships equipped with the loading function (deck cranes, etc.), the plant started receiving coal from the sea again in January. Now, the plant's operations have returned to normal.
- The damaged coal unloader was removed in February.

<Conceptual presentation of coal unloading by a vessel equipped with an unloading function (a deck crane, etc.)>



Outline Drawing



Four large cranes are mounted on the vessel. By using attachments such as grabs, the vessel is capable of loading and unloading cargo on its own.

### ■ Procuring coal from South Africa

- As efforts to disperse and diversify procurement sources, the Company has started procuring coal from South Africa in addition to Australia, Indonesia and North America, which are the Company's traditional sources.
- Such efforts will make possible highly expeditious and flexible procurement by utilizing stock yards in countries closer to Japan.



# Basic Management Stance

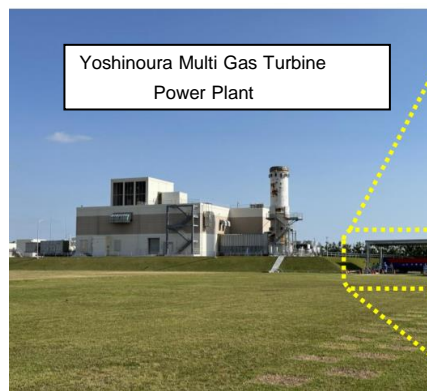
## 2. Aggressively take up the challenge of carbon neutrality

### Challenge to carbon neutrality

- With the aim of achieving carbon neutrality by 2050, the Company will consider the adoption of innovative technologies and simultaneously, will be engaged in the two directions of “making renewable energy main energy sources” and “reducing CO<sub>2</sub> emissions from thermal power sources,” and “promoting electrification.”
  - Based on the "OEPC Net-Zero CO<sub>2</sub> Emissions Roadmap," the Company puts in maximum effort to aim at a CO<sub>2</sub> emissions reduction of 30% (from 2005) for FY2030 as an ambitious target in “Just Transition in Okinawa Area (fair transition).”
  - Implementation of validation tests of hydrogen co-firing power generation
    - In March 2024, the Company started validation tests of hydrogen co-firing power generation at the Yoshinoura Multi Gas Turbine Power Plant (35,000 kW at rated output). A co-firing rate (by volume) of 30% hydrogen at rated output was achieved in the test conducted on March 14.
    - The validation tests are one of the key measures that contribute to “the expansion of the use of clean energies” under the theme of “Reduce CO<sub>2</sub> emissions from thermal power sources,” a pillar of the roadmap formulated for the Company to realize CO<sub>2</sub> emissions net zero by 2050. The Company will continue the validation toward the establishment of the technology for operating hydrogen co-firing power generation.
    - The Company is determined to proactively contribute to building a hydrogen-based society by becoming the first mover in the utilization of hydrogen in the Okinawa area. In parallel, the Company will build a sustainable energy system and advance the efforts to balance between the stable supply of energy and countermeasures against global warming.
- \* As an undertaking based on a public invitation by New Energy and Industrial Technology Development Organization (NEDO) of National Research and Development Agency, this validation tests are underway as part of the “Development of Hydrogen Co-firing Operation Technology of Electric Power Reserve Sources Using Actual Commercial Systems, and the Building of a Hydrogen Utilization Model in the Okinawa Area.” (Project period: FY2023 to FY2025)

### Outline of validation tests

- Modified the Yoshinoura Multi Gas Turbine Power Plant for hydrogen co-firing, and installed a hydrogen-receiving supply facility
- Supply hydrogen as the fuel from compressed gas trailers transported from outside the prefecture. (In the future, the Company is exploring the possibility to utilize unused by-product hydrogen from within Okinawa Prefecture.)
- Aim at establishing the hydrogen co-firing power operation technology of electric power reserve sources by conducting hydrogen co-firing tests in actual commercial systems





# Initiatives to Achieve Carbon Neutrality: Examples of Initiatives

## Example: Construction of Makiminato Gas Engine Power Plant (Natural gas)



- The purpose of this plant is to enhance the reliability of supply by stabilizing the system, such as through frequency control and supply-demand balance adjustment, as an electric power reserve source. (February 2021: Construction work started; March 2024: Commercial operation started)
- The fuel in use will be natural gas, whose CO<sub>2</sub> emissions per unit calorific value is about 30% lower than petroleum and which does not generate sulfur oxides (SOx), either.
- In addition, by installing denitrification equipment, nitrogen oxide (NOx) emissions will be reduced, and radiators will be employed to cool the power generation equipment. With such measures, the plant will be an environmentally friendly power generation facility.

### [Overview of Power Plant]

Name	Makiminato Gas Engine Power Plant
Location	Urasoe City, Okinawa Prefecture (In the compound of the Okinawa Makiminato Thermal Power Plant)
Power generation capacity	45,000kW (7,500kW x 6 units)
Fuel for electricity generation	Natural gas
Fuel storage facility	2,000t (PC dike and outer tank integrated- type flat-bottom spherical-roofed cylindrical vertical storage tank)
Commercial operation started	March.1,2024



↑ Entire view of Makiminato Gas Engine Power Plant

← Gas engine power facility



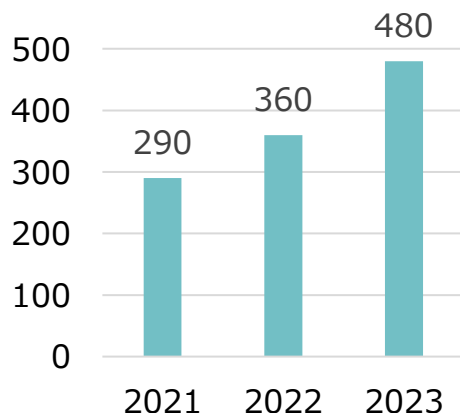
# Basic Management Stance

## 3. Respond to diverse customer needs and strive to improve customer satisfaction

Speed up the implementation of initiatives in  
Medium-Term Management Plan

- The Company aims at becoming a company that customers willingly choose by providing value that exceeds their expectations, such as comprehensive energy services and proposals that address their need to save energy.
- The Company will engage in enhancing customer satisfaction through providing electricity with something extra via point-based services at the membership site “OKIDEN more-E” and a CO<sub>2</sub>-free menu; transition to a free rate menu through proposing the optimum rate menu, etc., and offering a new electrification that combines “KarE-roof (the service to install solar panels on the roof of the house of a customer free of charge” and “All Electrification,” among others.
- **Free installation service of photovoltaic generation and storage batteries (PV-TPO Business)**
  - Approximately 480 contracts (approximately 2,620 kW) have been concluded with general residences, of which about 420 contracts have started receiving the service (approximately 2,290 kW).
  - The Company engages in offering a new type of electrification, combining “KarE-roof” and “All electrification.” All-electrification residences account for about 70% of all contracts.
  - We have entered into 27 commercial service contracts with total output of 2,140 kW.
  - Of these, we have started operation for 20 contracts with output of 1,575 kW.

KarE-roof (for general residences)  
Trends in the Number of Contracts.(total)



### Ryukai Logistics CO.LTD.( Starts January 2024 : Uruma city )

- Photovoltaic power generation facilities:220kW
- Electricity supply by photovoltaic: 16% of annual electricity consumption
- CO<sub>2</sub> emissions: 356 tons/year (equivalent to 40,000 cedar trees)



### For businesses,others

- Okinawa tourist service inc.  
( Starts May 2023 )
- Okinawa IT Shinryo Park  
building No.2,No.7  
( Starts June 2023 )
- Okinawa Hormel CO.LTD.  
( Starts June 2023 )
- Tomigusuku city town hall  
( Starts July 2023 )
- Motobu academy, Motobu  
elementary school  
( Starts July 2023 )

# Basic Management Stance

## 4. Fulfill the social responsibility as a good corporate citizen of the community

- Positioning the corporate slogan "Flourish with the community and for the community" at the center of its corporate management, the Company is active in advancing a variety of society contribution activities.
- Toward realizing a sustainable society that respects human rights, the Company fulfills its social responsibility through its business activities.
- As a company responsible for the global environment, not only does the Company engage in regional environmental preservation and the formation of a recycling society but it also strives to cooperate with municipalities, corporations and educational institutions for a reduction of environmental load, etc.
- Each sector performs highly transparent business operations, and each executive and employee execute their duties in thorough compliance with related laws and regulations including the Antimonopoly Act and with a high sense of ethics.
- In addition to advancing risk management and disclosing information promptly and appropriately, the Company builds trusted relationships with its stakeholders, such as customers, the community, shareholders and investors, through interactive communication, thereby aiming at a transparent and visible business management.

### ■ Comprehensive Collaborative Agreements with municipalities, private companies, etc.

- The company has concluded collaborative agreements with Okinawa Prefecture, local governments, universities, and companies in the prefecture.
- The Company plan to introduce "KarE-roof", provide an electricity charge menu with the value of CO<sub>2</sub> free, conduct joint research and projects to create new technologies that will contribute to solving decarbonization issues, environmental education and other initiatives.

### 【Comprehensive Collaborative Agreements concluded: 13】

Governmental bodies	Okinawa Prefecture	University	University of the Ryukyus
	Urasoe City		Okinawa Institute of Science and Technology
	Okinawa City		RYUSEKI
	Uruma City	Companies	Bank of Okinawa
	Nago City		Takushinkai
	Naha City		Okinawa Kaiho Bank
			Bank of Ryukyu



OIST President and CEO Karin Markides (left) and Okinawa Electric Power Company President Motonaga (right)

# Basic Management Stance

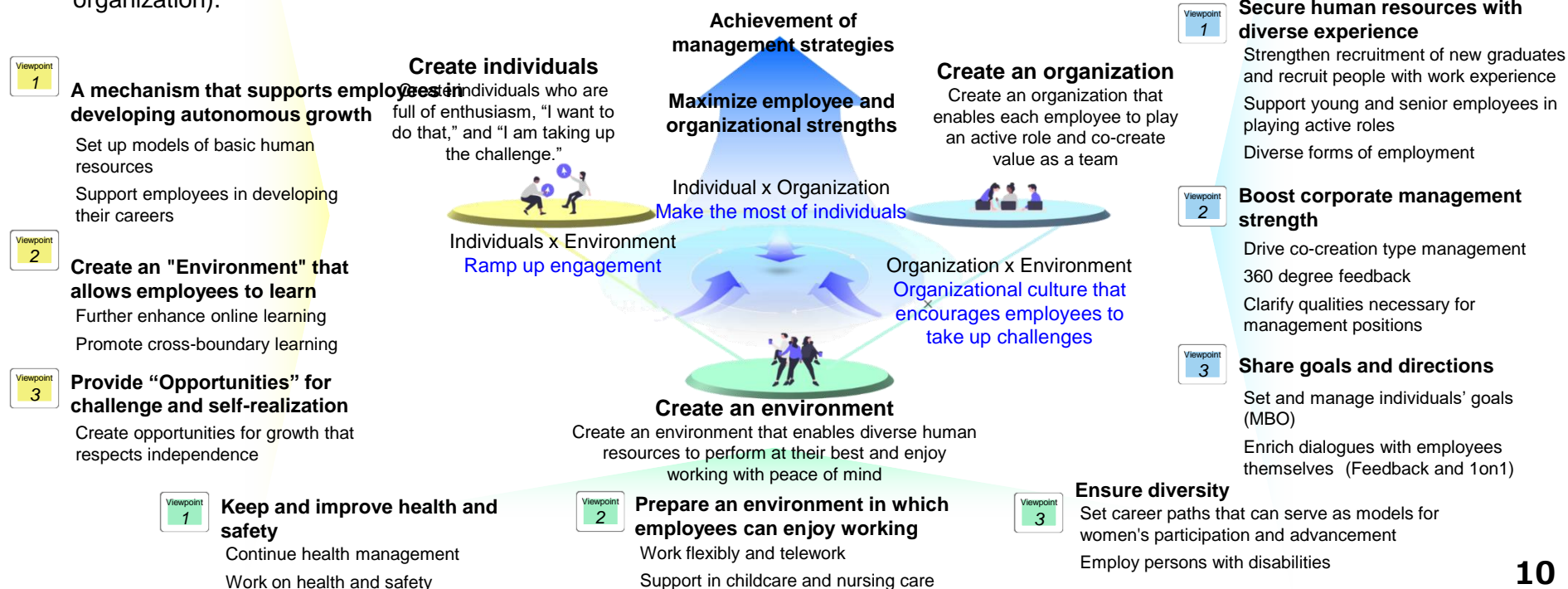
## 5. Develop people and care for people

Advancement of human resources strategy

- The Company strongly recognizes that the "safety" of all people involved in its business operations is its highest priority, and the Company ensures the physical and mental health of its employees by thoroughly ensuring safety and practicing "Health and Productivity Management."
- Based on the "Human Resources Strategy" formulated in November 2023 and for the purpose of reaching what the Company aims to be and contributing to the development of community with the eyes beyond it, the Company will make efforts that enable each member to willingly work toward "what they aspire to be" and demonstrate their capabilities to the maximum.
- Each employee never takes any easy task for granted in their daily duties. They, needless to say, complete their duties perfectly, and each department engages in their operations through communicating and coordinating with others.

### Human Resources Strategy

- The Company aims at maximizing employee and organizational strengths, centering on three directions (the environment, individual and organization).



# Basic Management Stance

## 6. Aim at sustainable growth through aggressive business development and the constant effort to improve management efficiency

Speed up the implementation of initiatives in Medium-Term Management Plan

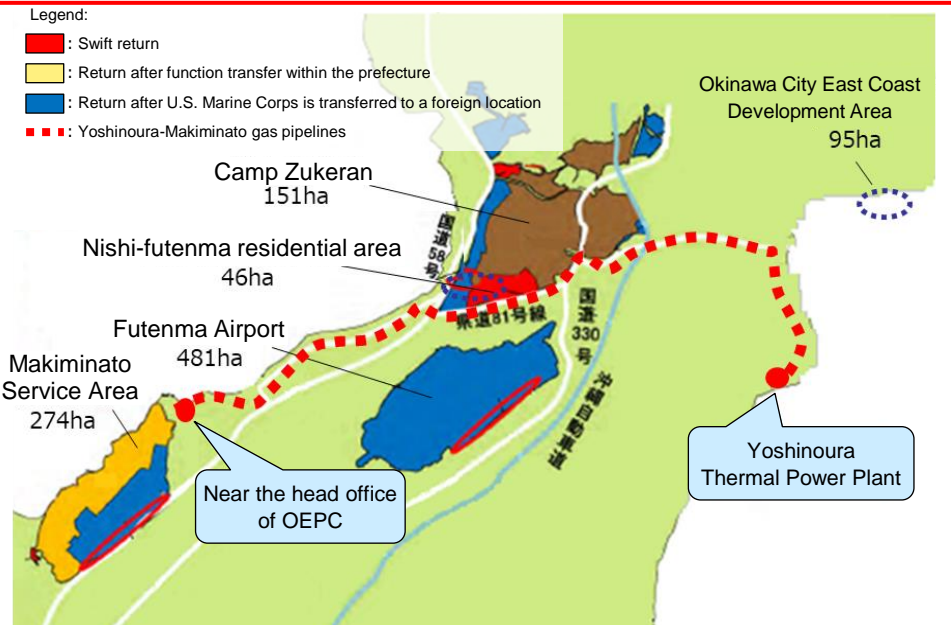
- In order for the Company to fulfill its basic missions, such as ensuring a stable supply of energy, each operating division is required to be highly conscious of income and expenditure, secure appropriate profits and make efforts to sound and sustainable growth.
- In respect of profit, the Company strongly pushes forward with comprehensive energy services in a group-wide cooperation to build a solid profit base and simultaneously, the Company will explore the possibility of aggressive business development into the living and business support fields, etc. and the launch of new services in the energy management and security fields.
- On the cost side, the Company will never slack off on measures to improve efficiency and take steps to drastically slash costs and enhance operational efficiency by reviewing each business process from scratch.

### ■ Development of Demand Along the Route by Laying Gas Pipelines

- Gas pipeline will be laid from the Yoshinoura Thermal Power Plant to the head office of the Okinawa Electric Power Company in Urasoe City through the Nishi-Futenma area, where heat demand is expected due to the development of the former military base sites. (In service from Feb 2024.)
- We will further promote the sale of natural gas in the central part of the main island of Okinawa.
- We will develop the pipeline network, and acquire demand in line with customer's change of fuels and urban development.
- We will also work with other energy companies to consider supply to ordinary households.

[Equipment specifications]

Pressure (high pressure specification), diameter (300 mm), conduit extension (about 14 km)



\* Source: The material of the Okinawa Revitalization Council Chair and Specialized Committee Meeting (third session) presented on the Cabinet Office website



# Group Businesses (Examples of Initiatives: Promotion of Business Overseas and Outside the Region)

- OEPC established “SeED Okinawa LLC” jointly with five group companies to promote the development of energy business outside the region, by leveraging the knowledge and technologies cultivated with electric business such as the expansion of renewable energy introduction in remote islands, operation of grid stabilization devices, etc. (April 2021)
- As social demands for countermeasures against global warming increase further worldwide, we will contribute to the realization of a low-carbon society and sustainable society, by further spreading renewable energy in the island regions of Asia and the Pacific where we can leverage the strengths of our group.

## Overseas Construction Project Achievements

- Introduction of tiltable wind power in Tonga (JICA grant aid)



A regional microgrid construction project in Kurima Island, Miyakojima City.

100% supply of renewable energy in Hateruma Island

**Expand the Group's earnings by further developing overseas business areas**

## Initiatives of SeED OKinawa's activities outside the area in Japan and overseas

- Papua New Guinea
- Iwojima and Minami-torijima
- Republic of Palau
- Galapagos Islands, Ecuador **NEW**
- Four Pacific nations **NEW** (Fiji, Samoa, Micronesia, and Palau)

Expand the introduction of renewable energy to remote islands in the prefecture

- Acquisition of grid stabilization technology

Overseas consulting projects Achievements

- NEDO demonstration study
- JICA technical cooperation project



## Presentation at COP28

The company presented its effort for decarbonization in Palau at the 28th Conference of the Parties to the United Nations Framework Convention on Climate Change(COP28) , held in Dubai, United Arab Emirates, in December 2023.



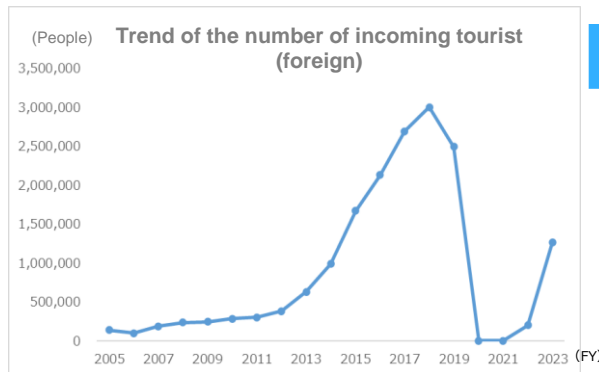
# Towards achieving the 2025 financial goals

- The economy in prefecture is expected to expand moderately due to the revitalisation of economic activities, particularly those related to tourism.
- In addition, a number of urban developments are planned, including the former sites of the return of US military bases.
- In addition to accelerating the current medium-term management plan initiatives, the company aims to expand its top line through active involvement in these projects and achieve its 2025 management targets.

## Achievement of 2025 financial targets and sustainable growth and development

### Tourism-related

- Domestic tourists have recovered to pre-Corona levels
- Gradual recovery of foreign tourists
- Opening of accommodation facilities
- Opening of new theme parks in the northern part of the main island.



#### Opening Accommodations

2020 : 9  
2021 : 10  
2022 : 9  
2023 : 4  
After 2024 : 15

### 【Comprehensive energy】

- Increase in electricity demand
- Increase in gas demand
- Orders for energy services
- Introduction of PV-TPO

### 【Construction and real estate】

- Orders for civil engineering, construction and equipment works

### 【Outside the area】

### 【IT and Innovation】

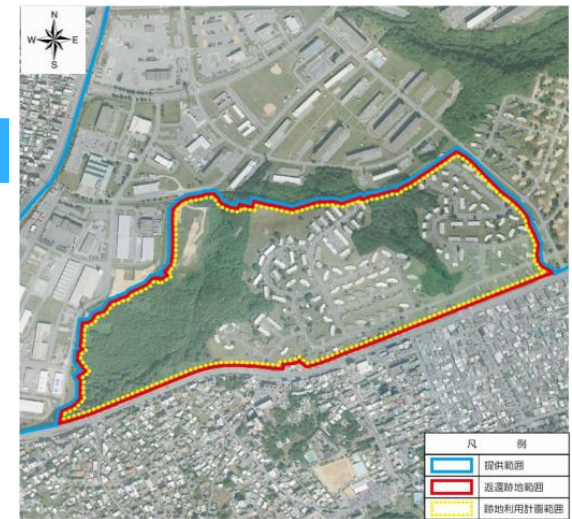
### Accelerate measures in the Medium-term Management Plan

- Create new value and strengthen the competitiveness in order to increase sales in the Electric business.
- Expand business areas and create new businesses in the Group businesses.

### Urban development

- Urban development plans, including former US military bases, large-scale MICE projects, etc.

Camp Zukeran (Nishi-futenma residential area)



Source: Okinawa General Bureau, Cabinet Office