Management Overview

May 2024



The Okinawa Electric Power Company, Inc.

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Overview of Okinawa Prefecture



Basic Data

Population:	1,469,169	<
No. of Households	644,448	
Area	2,282 km²	
Climate	Subtropical / Oceanic	
Location	26°12N 127°41E	
Prefectural GDP	¥4,532.4billion	
Tourism Revenue	¥701.3billion	

- Many islands scattered over a sea area lying about 1,000 kilometers east and west and about $\langle \rangle$ 400 kilometers north and south.
- ightarrow Okinawa has attracted attention for its advantages and potentials.
 - ·Geographical characteristics as being located in the center of East Asia.
 - •The highest birth rate in Japan.
 - ·Rich nature and mild climate.

ightarrow Making good use of such advantages and potentials, initiatives are underway

- · Promotion of tourism.
- ·Clustering of international logistics industry.

Population, No. of Households as of March 1, 2024 Area as of January 1, 2024 Prefectural GDP as of Estimated results FY 2022

Tourism Revenue as of Estimated results FY 2022

(Source: Okinawa Prefecture, Geographical Survey Institute)

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Corporate Overview of OEPC

- The Okinawa Electric Power Company (OEPC) supplies electricity to 38 inhabited islands including Okinawa main island.
- OEPC maintains 11 isolated systems that are not connected with the transmission lines of other power companies.
- OEPC has no nuclear and hydroelectric power plants and depends on fossil fuels for its power supply.

Established	May 15, 1972		Security code	9511
LSIADIISHEU	May 13, 1972		Service area	Okinawa Prefecture
Capital	¥7,586 million			Steam-power generators 5 locations 1,629 thousand kW (Oil 2 locations 375 thousand kW) (Coal 2 locations 752 thousand kW)
Total assets	¥458.330 billion (Non-consolidated) ¥498.671 billion (Consolidated)		Generating facilities	(LNG 1 locations 502 thousand kW) Gas turbine generators 5 locations 326 thousand kW Internal-combustion power generators
Employees	1,504 (Consolidated: 3,079)			13 locations 254 thousand kW Wind power generators 5 locations 2 thousand kW Total 2,211 thousand kW

(as of March 31, 2024)

Ratings

Rating agency	R&I	S&P	Moody's
Rating	AA	A+	A1

* Ratings on long-term preferred debts as of April 30, 2024

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

(Unit: million yen, X)

		Consolida	ated (A)		١	lon-consol	(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	Ι	-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.

(Unit: million yen, X)

	С	onsolidated(A)	Nor	-consolidate	d(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.

Electric Energy Demand (Results) (1/2)



Monthly Area demand at Transmission End (Preliminary report) (Milling)													(Million k	.Wh,%)	
	Apr	May	Jun	Jul	Aug	Sep	1 st Half	Oct	Nov	Dec	Jan	Feb	Mar	2 nd Half	FY
FY2023	573	636	760	903	838	840	4,550	714	584	583	585	549	579	3,595	8,144
FY2022	594	648	775	921	929	809	4,676	708	610	587	583	508	566	3,562	8,238
Rate of Change	-3.6	-1.8	-1.9	-2.0	-9.8	+3.8	-2.7	+0.8	-4.3	-0.7	+0.4	+8.1	+2.3	+0.9	-1.1

Average temperature

	Apr	May	Jun	Jul	Aug	Sep	1 st Half	Oct	Nov	Dec	Jan	Feb	Mar	2 nd Half	FY
FY2023	22.5	24.3	27.2	29.6	28.6	28.7	26.8	26.0	22.6	19.7	17.9	19.8	19.5	20.9	23.9
FY2022	22.7	23.5	27.0	29.4	29.9	28.3	26.8	26.0	23.6	18.6	17.5	19.0	20.0	20.8	23.8
Climatological Normals	21.5	24.2	27.2	29.1	29.0	27.9	26.5	25.5	22.5	19.0	17.3	17.5	19.1	20.2	23.3

* Climatological Normals is observed data from 1991 to 2020.

(Lipit: million kM/h)

Electricity Sale	s Volume	(Unit: million kWh %)					
	FY2022 (Results)	FY2023 (Results)	Change	Rate of Change			
Lighting	2,842	2,714	-128	-4.5			
Power	4,231	4,251	+20	+0.4			
Total	7,073	6,965	-108	-1.5			

Power Generated and Received

_										
		FY2	022	FY2	023					
		Electricity generated	Com- position ratio	Electricity generated	Com- position ratio	Change	change			
	Coal	3,239	44.1%	2,470	34.2%	-769	-23.7%			
õ	Oil	989	13.4%	1,016	14.1%	+27	+2.7%			
PC	LNG	1,651	22.5%	1,981	27.5%	+330	+20.0%			
	Total	5,879	80.0%	5,467	75.8%	-412	-7.0%			
Other		1,470	20.0%	1,750	24.2%	+280	+19.0%			
	Total	7,349	100.0%	7,217	100.0%	-132	-1.8%			

<Lighting>

The demand for Lighting decreased compared with Year-on-Year due to the impact of power saving and customer switching to other suppliers.

<Power >

Despite the impact of power saving and decreased demand in the industrial sector, the demand for Power remained almost unchanged from the previous year due to increase by customer switching to our company from other suppliers in the commercial sector and the recovery from the impact of novel coronavirus.

<Power Generated and Received>

- Power generated and received was 7,217 million kWh, down by 1.8%. *
- Electricity generated of OEPC's Coal-fired thermal power was down by 23.7%. *
- Electricity generated of OEPC's Oil-fired thermal power was up by 2.7%. *
- Electricity generated of OEPC's LNG-fired thermal power was up by 20.0%. *

*Comparison with previous year.

Electricity sales volume (FY2024 Outlook)

	FY2023 Results	FY2024 Forecasts	YoY Rate of Change
Lighting	2,714	2,739	0.9
Power	4,251	4,238	-0.3
Total	6,965	6,977	0.2

Electricity sales volume (Long-term Outlook)

	FY2012 Results	FY2022 Results	FY2033 Forecasts	2012-2022 Annual average growth rate	2022-2033 Annual average growth rate
Lighting	2,852	2,842	2,844	-0.0 (-0.3)	0.0(0.2)
Power	4,462	4,232	4,134	-0.5 (-0.7)	-0.2 (-0.1)
Total	7,314	7,073	6,978	-0.3 (-0.5)	-0.1 (0.0)

* Adjusted for the influence of temperature and leap year.

The demand for Electric Power in Okinawa area

(Unit: million kWh, %)

	Results		Forecasts	Average rate of Increase or decrease
	2012	2022	2033	2022-2033
Okinawa	7,330	7,788	8,108	+0.4
Japan	858,741	820,975	834,507	+0.1

(Lighting)

The demand for Lighting is expected to outperform the previous fiscal year primarily due to a demand expansion resulting from increases in the population and the number of households although there is the impact of customers switching to other suppliers. (Year-on-year change: 0.9%)

(Power)

The demand for Power is expected to stay flat from the previous fiscal year mainly due to the impact of customers switching to other suppliers despite the prospect of a demand increase to be brought about by the construction of new commercial and accommodation facilities against the background of growth in the population and visiting tourists

(Year-on-year change: -0.3%)

(Total)

As explained above, the total electricity sales volume is expected to be 6,977 million kWh, a similar level to the previous fiscal year (Year-on-year change: 0.2%)

(Lighting)

The demand for Lighting is expected to remain flat from the previous fiscal year primarily due to a demand expansion resulting from increases in the population and the number of households although there is the impact of customers switching to other suppliers

(Annual average growth rate adjusted for temperature: 0.2%)

(Power)

The demand for Power is expected to be influenced by customers switching to other suppliers despite the prospect of an increase in the number of commercial and accommodation facilities against the background of growth in the population and visiting tourists (Annual average growth rate adjusted for temperature: -0.1%)

(Total)

As explained above, the total electricity sales volume is expected to be 6,978 million kWh

(Annual average growth rate adjusted for temperature: 0.0%)

Capital Expenditures Plan

- The Company has made it a plan to strive to reduce facility-related total costs and simultaneously, maintain and build appropriate and efficient facilities steadily, based on the premise that the stable supply of electricity is ensured.
- Capital investment in FY2023 was 35.6 billion yen due to an increase in the development of new power sources and measures to address the aging of power sources.
- Regarding supply facilities, it plans to make appropriate future capital investment to renew aging facilities and upgrade to the next-generation electric power networks.

Trends in the Capital Investment Amount (Unit: 100million yen)								
	FY	20.	21	20	22	20	23	2024
By fa	acilities	Results	(Plan)	Results	(Plan)	Results	(Plan)	(Plan)
Powe	er sources	98	(125)	180	(195)	147	(187)	(146)
ties	Transmission	47	(112)	81	(117)	76	(91)	(94)
facili	Transformation	69	(74)	35	(45)	37	(55)	(56)
ply i	Distribution	66	(93)	54	(84)	62	(78)	(101)
Sup	Subtotal	183	(279)	171	(247)	177	(225)	(250)
Othe	rs	25	(34)	34	(44)	31	(33)	(15)
	Total	307	(438)	386	(485)	356	(445)	(411)

Note: The figures may not exactly match the figures because of rounding.

Note: The impact of the damage to the coal unloader at the Gushikawa Thermal Power Plant in FY2023 on the capital expenditures plan has not been factored in.

[Major Projects in Capital Investments in FY 2024]

Power sources:

Responding to aging of Gushikawa Thermal Power Plant Responding to aging of Kin Thermal Power Plant

Supply facilities: Responding to increasing demand

Responding to supply reliability

Replacement of aging facilities Responding to shortened power outage time

Item	Overview and Challenges
Sales	 The demand for Electric Power in Okinawa area will increase, but the rate of its increase has been slowing down. The number of tourists is recovering, and the number of households will continue increasing. The entry of power producer and supplier has advanced competition. Challenges will be sales expansion of electricity and gas.
Profitability	 The excess upper limit of the fuel cost adjustment system was solved by the price revision in Electric business. A challenge will be to improve profitability.
CF	 Capital investment will increase due to the implementation of the Mid-Term Management Plan. No large-scale electric power development is planned for the time being.
Capital composition	 Capital adequacy ratio significantly lower than previous levels due to significant losses in FY2022. A challenge will be to restore financial strength for the time being.

The OEPC Group Vision: Basic Management Stance

What the OEPC Group Aims To Be

With our comprehensive energy business as the core, we aim to create new value through services to support both corporate and individual customers and as a business group with a sense of solidary, growing and developing hand-in-hand with the community, will contribute to the realization of a sustainable society.

Ba	asic Management Stance	
(1)	Strive to provide a stable supply of energy	(4) Fulfill social responsibility as a good corporate citizen of local communities
(2)	Aggressively take on carbon neutrality	(5) Nurture and value people
(3)	Meet the diverse needs of our customers and do our utmost to enhance customer satisfaction	(6) Achieve sustainable growth through proactive business development and continually enhancing management efficiency
		Challenge to New Fields

Business Fields

- With comprehensive energy business at its core, the OEPC Group will expand its business fields by further developing businesses in construction and real estate, information and communications, and support for lifestyles and businesses.
- We will also leverage the strengths of the OEPC Group to develop new businesses.



Management Goals

Toward the realization of "what the Okinawa Electric Power Company (OECP) 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 "OECP 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.



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
- <u>Opening of new theme parks in the northern</u> part of the main island.



Opening Accommodations 2020 : 9 2021 : 10 2022 : 9 2023 : 4 After2024 : 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]



- <u>Create new value and strengthen the</u> <u>competitiveness in order to increase sales in</u> 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

Concept of investment

The basic mission of the OEPC Group is to provide stable energy to customers and contribute to the development of local communities and economies in Okinawa.

Investment for stable power supply

With regard to facilities necessary for stable supply, we will steadily implement investments to maintain and build facilities appropriately and efficiently, while reducing the total cost of facilityrelated costs.

Investment for carbon neutrality

In order to achieve carbon neutrality, we will promote realistic and effective investment in cooperation with the national government, prefectural governments and other businesses under policy and financial supports.

Investment in growth sectors

In order to ensure the growth of the entire Group, we conduct appropriate risk management by means of a PDCA cycle based on a regular assessment of the quantity of risks involved, and then make investments for business development.

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

Direction of Initiatives in the Medium-Term Management Plan: Direction of Initiatives to Realize What the OEPC Group Aims To Be

To realize what the OEPC Group aims to be, under the concept of "Okiden.COM," we will promote the "expansion of the topline," "proactive streamlining" and "challenge to become carbon neutral," to provide customers with energy and new extra value.



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.

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

> The damaged coal unloader was removed in February.



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 diverse 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.



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 CO₂ emissions from thermal power sources," and "promoting electrification."
- Based on the "OEPC Net-Zero CO₂ Emissions Roadmap," the Company puts in maximum effort to aim at a CO₂ 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 CO₂ emissions from thermal power sources," a pillar of the roadmap formulated for the Company to realize CO₂ 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



Okinawa Electric Power Company (OEPC) aims to achieve net zero CO₂ emissions by 2050

In December 2020, the Group has set up "Zero Emission Initiatives of OEPC" as a long-term policy in response to the growing social demand for measures to combat global warming. We will work towards achieving net zero CO_2 emissions by 2050, by showing measures as a road map, based on two directions, "make renewable energy as the main power source" and "reduce CO_2 emissions from thermal power sources," and will promote the initiatives by the Group as a whole.

Okinawa Electric Power's Power Supply Development to Date

- We have been developing power sources in response to social conditions and social demands.
- \triangleright In response to the oil crisis of the 1970s, we developed coal-fired power plants in Gushikawa and Kin in 1994 and 2002, respectively, on the main island of Okinawa to reduce our dependence on oil. In the remote islands, we have been demonstrating renewable energy sources such as wind and solar power.
- We have positioned global warming countermeasures as an important management issue and has been promoting efforts to address this issue, expanding the introduction of renewable energy, biomass co-firing in coal-fired power plants, and introducing the Yoshinoura LNGfired power plant in 2012. As a result, CO₂ emissions from energy use peaked out in 2008.
- In March 2024, the Makminato Gas Engine Power Plant, using LNG as its fuel, which was constructed on the site of the decommissioned oil-fired Makiminato Thermal Power Units No. 5-8, started operations. The new plant is expected to contribute to "the switch from oil to LNG," "CO₂ reduction through expanding the use of LNG" and "responses to renewable energy fluctuations by leveraging the advantageous mobility of the LNG power source" under the theme of "Reduce CO₂ emissions from thermal power sources."



LNG Gas Engine

Introduce of power supply configuration coal-fired power

Diversification of power sources in the wake of the oil crisis

Development of initiatives to reduce CO₂ emissions Expand the introduction of renewable energy Biomass co-firing in a coal-fired power generator Introduction of LNG-fired power generation

Initiatives to Achieve Carbon Neutrality: Illustration of Achievement: More Ambitious Goals

" Just Transition in the Okinawa area " FY2030 ambitious target

- Toward zero emissions in 2050, we published "Just Transition in the Okinawa Area" in the 2022 Integrated Report as a unique path that will not have a significant impact on the local economy, taking into account the regional characteristics of the Okinawa area.
- The power source composition of the FY2030 government target of -46% includes renewable energy power sources and nuclear power, which are difficult to develop in the Okinawa area. Existing thermal power sources that can ensure reserve and inertia power are also necessary for a stable supply of electricity.
- In the Okinawa area, where zero-emission power sources are limited, the government's target is equivalent to -28% if we assume S+3E and replace it with applicable power sources. From there, we have gone even further and set an ambitious target of -30%* for FY2030.



Since the previous goal set by the government compared to FY2013 was a 26% reduction (a 25.4% reduction from FY2005), with a goal compared to FY2005 also shown, we have set our goal to be a 26% reduction from FY2005, which is higher than the government's. As a measure against global warming, our company started co-firing biomass in the Gushikawa Thermal Power Plant in 2010, and introduced the Yoshinoura Thermal Power Plant (LNG) in 2012, which is the main pillar of the measures. Since believe that our efforts will be properly evaluated, we continue to use FY2005 as the base year.

Initiatives to Achieve Carbon Neutrality: Roadmap

In order to achieve zero emissions, we will work on the "Make Renewable Energy as Main Power Source," "Reducing CO₂ Emissions from Thermal Power Plants," which are the two directions in the roadmap for the next 30 years, and "Promoting Electrification".



20

HALLENGE

Neutrality

Carbon

Achieve

Example: Microgrid Demonstration Project in the Kurima Island Region



- In response to a decision by the Ministry of Economy, Trade and Industry to grant a subsidized project "Regional Microgrid Construction Project," construction work on a demonstration facility for the Kurima microgrid, which was being carried out in collaboration with Nextems Co., Ltd. and Miyakojima Mirai Energy Co., Ltd., was completed and operation was started in January 2022.
- In May 2022, for the first time in Japan, we separated the microgrid target area from the original power transmission and distribution network, and succeeded in supplying electricity using existing power distribution lines using only a combination of photovoltaic power generation installed on the customer side and our company's MG storage batteries.
- By establishing regional microgrids, we will contribute to the realization of decarbonization, strengthening of electric power resilience, and sustainable society, which is increasingly in demand from the society.
 - *1 A regional microgrid is a system that uses regional renewable energy in an area of a certain size.
 - *2 Nextems Co., Ltd. (Urasoe City): In December 2019, the company received the Minister of Economy, Trade and Industry Award, the highest award in the New Energy Foundation's FY2019 New Energy Grand Prize in the Advanced Business Model Category.



Initiatives to Achieve Carbon Neutrality: Examples of Initiatives

Example: Feasibility study of water heat storage projects contributing to expanded introduction of renewable energy and demand response

- 2050 BBCA ZERO CHALLENGE
- The Company's proposal was adopted by the Cabinet Office's Okinawa General Secretariat for the "FY2023 Okinawa Clean Energy Introduction Promotion Research Program." The Company conducted the "Feasibility Study of Water Heat Storage Projects Contributing to Expanded Introduction of Renewable Energy and Demand Response."
- In this study, we will investigate the feasibility of a business model where renewable energy conversion and storage systems based on water heat storage are used to effectively utilize surplus renewable energy resulting from the expansion introduction of renewable energy, aiming to balance it with demand response, and the possibility of business expansion that will lead to the securing of adjusting operation.
- The tests are expected to facilitate the expansion of renewable energy adoption by advancing the validation and the establishment of a model toward the utilization of a new water heat storage system.

Study illustration



Research Outcome (Outline)

<Utilization of time shift in air conditioning in existing buildings>

It is hoped that surplus renewable energy can be utilized by shifting the stored heat of existing water storage systems (for air-conditioning) in Okinawa Prefecture from night-time to daytime

<Application to agriculture, forestry and fisheries fields>

The need is high for heating in winter especially in the fields of agriculture, forestry and fisheries (aquaculture, plant factories, etc.).

It is expected as a new way to make better use of water storage systems

The building of a new model for utilizing water heat storage systems is expected to expand the adoption of renewable energy

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 CO₂-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." Allelectrification 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.



Ryukai Logistics CO.LTD.(Starts January 2024 : Uruma city) ■ Photovoltaic power generation facilities:220kW

- Electricity supply by photovoltaic: 16% of annual electricity consumption
- CO₂ 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)

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.

<u>Comprehensive Collaborative Agreements with municipalities, private companies, etc.</u>

- The company has concluded collaborative agreements with Okinawa Prefecture, local governments, universities, and companies in the prefecture.

(Comprehensive Collaborative Agreements concluded: 13)

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



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

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).
 Secure human resources



Human Resources Strategy KPI

	Indicators	Targets	FY2023 Results
Safety	Number of fatal industrial accidents	0 case	0 case
	Periodic health checkups rate	100%	100%
Health	People with exercise habits rate	Improvement	75.2%
Diversity	Ratio of female in management positions	1.5x compared to FY 2019 (by FY2025)	1.21x compared to FY 2019
	Male employees taking childcare leave rate	Improvement	85.5%
	Employment of people with disabilities	2.7% (by FY2025)	2.76% ×1
Work style	Flextime system utilization rate	100%	93.0%
Personnel development	Introduction of online learning systems	FY2024	Scheduled to be introduced during FY2024 2Q YTD
Recruitment	Career recruitment in specific fields	FY2024	_
	Percentage of female in technical recruits	20%	5.9% (New employees in FY2024)

Promotion of Health and Productivity Management

Objectives

- The Company positions the health of employees as the foundation of management and an invaluable asset to the company.
- When employees are physically and mentally healthy and work with enthusiasm and dreams, the quality of life and the quality of work of individuals, including their families, will be enhanced, and the productivity and value of a company will be improved.
- The Company will take a variety of measures to promote health that allow each employee to take the initiative in promoting their own health.
- The Company will underpin the health and longevity and economic activities in Okinawa Prefecture and contribute to the creation of the future of Okinawa full of dreams and dynamism.



Certified as White 500 for six consecutive years



In March 11, 2024, the Company was certified as "White 500" for six consecutive years, which ranks within the best 500th position among certified corporations of "Health and Productivity Management Excellent Organizations 2024 (large enterprise category)" in "Health and Productivity Management Outstanding Organization Recognition Program," jointly administered by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi (Japan's council for health).



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 groupwide 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]



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

Initiatives by Business: Electric Power Business

[Direction of Initiatives]

- Even in a competitive environment, the Group's fundamental mission of providing a stable supply of energy remains unchanged, and we will make every effort to realize it.
- We will strive to improve the profitability of our electric power business by thoroughly reducing costs and providing electric power with additional value, while reviewing our business model.
- We will develop the infrastructure to enable each electric power business to operate autonomously and flexibly.
- 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 CO₂ emissions from thermal power sources," and "promoting electrification."



Initiatives by Business: Power Generation Business

[Direction of Initiatives]

- Toward the stable supply of energy, the Company will formulate a future power source development plan and pursue the ideal way to build, operate, and maintain facilities of main equipment including outdoor facilities.
- While paying attention to the operational status of power generation facilities even under tight fuel supply situations, the Company will engage in the stable procurement of fuels by paying close attention to the moves of suppliers and the fuel inventory management, etc. including coal storage yards in neighboring countries.
- Toward carbon neutrality by 2050, the Company will engage in "reducing CO₂ emissions from thermal power sources."
- The Company will engage in continuous improvement efforts to reduce environmental load such as compliance with environmental laws and regulations and environmental preservation agreements and recycling of coal ash.
- The Company will engage in spreading the cooperative behavior-based safety culture that supports the fields, further enhancing field and organizational capabilities, and passing down technologies.
- The Company will strive to hold down the cost of electricity generation through measures including examination of the optimum power source composition, appropriate maintenance of facilities and the efficiency management of power generation facilities.
- Toward further the reduction and levelling of fuel procurement cost, the Company will look into and carry out all possible measures such as utilization of coal storage yards in neighboring countries, optimization of coal procurement by using carrying ships of various types and easing of price fluctuation risks.



The Company will proceed with the effort for the co-firing of hydrogen and ammonia, which are clean fuels, in connection with reduction of CO₂ emissions from thermal power sources.

In addition, the Company will work on biomass, which is a renewable energy, and LNG, which emits less CO₂.

Initiatives by Business: Transmission and Distribution Business

[Direction of Initiatives]

- In the transmission and distribution sector, while ensuring the system that allows each department to execute organizing their work from planning, construction to maintenance and operation autonomously and flexibly, the function of organizing networks and management as a whole will be strengthened, whereby the sector will steadily advance the business plan, formulated to meet a new wheeling charge system (a revenue cap system).
- According to the 6th Strategic Energy Plan of the country, "It is important to make the shift to the next-generation network that drastically boosts resilience while responding to the massive adoption of renewable energy, etc." toward achieving carbon neutrality by 2050.
- Based on these, the Company will ensure an appropriate profit level while maintaining the stable supply of power, and make appropriate and efficient facility formation and capital investment for the future renewal of aging facilities and the shift of electricity networks to the next generation.
- The Company will engage in improving efficiency and profitability in a way to combine power facilities and digital transformation (DX).
- As an authorized general electricity transmission and distribution business operator, the Company will ensure the neutrality and reliability of the power transmission and distribution sector by responding to compliance with regulations and drastically strengthening internal controls, and strive to ensure the further implementation of compliance.
- Based on the human resources strategy, the Company will also engage in maximizing organizational and technological capabilities in the power transmission and distribution business.

<<Initiative for the Shift of Electricity Network to the Next Generation that the Company Aims at>>

Stable energy supply

- •Electricity transmission facilities that have been appropriately expanded and reinforced with an eye on future demand growth
- •Avoidance of system congestion through proactive expansion and reinforcement
- Promotion of the abolition of electric poles

•Avoidance of blackouts through system stabilization measures.

Strengthening of

resilience

- Enhancement of the supply reliability level by construction work that shortens the duration of an outage
- Preparation for disasters through microgrid verification
- tests.

Energy platform

- Expansion of the adoption of renewable energy through investigation and research on system stabilization
 Expansion of the introduction of distributed energy resources by upgrading electricity distribution networks
- Broadening of renewable energy interconnected systems in remote islands
 - Expansion of renewable energy (decarbonization).

- •Response to disasters and resolution of social issues by a faster provision of smart meter data.
- •Optimized renewal of aging facilities
- •Efficient business operation by utilizing digital devices.

Initiatives by Business: Retail Business

[Direction of Initiatives]

- Amid a rapidly changing competitive environment, the Company will strive to raise efficiency thoroughly to improve its bottom line. In order to continue to be a company that customers willingly choose, the Company will make efforts to provide value that exceeds expectations by enhancing the ability to empathize and to make proposals, and engage in sales expansion.
- The Company will strengthen and roll out the comprehensive energy services that are a strength of the Company.
- The Company strives to improve customer satisfaction by providing the value of electricity with something extra such as point-based services on membership portal "Okiden more-E."
- The Company will furnish a new electrification service that combines "KarE-roof" and "All electrification" whereby the Company will expand the topline and meet the challenge of carbon neutrality.
- The Company will work to ensure full compliance with relevant laws, regulations and guidelines, including response to conduct control.

[Comprehensive Energy Services of Okinawa Electric Power Company Group]



Initiatives by Business: Group Businesses

[Direction of Initiatives]

- In Group Businesses, the Company aims at sustainable growth in the following five business fields while boosting the potential of the Group. In addition, the Company will push forward with the initiatives of carbon neutrality (CN) and DX as important factors contributing to sustainable growth.
- In the fields related to Electric Power Business, the Company, as the core of Group Businesses that supports the stable supply in Electric Power Business, will engage in stable supply and efficiency improvement throughout the supply chain including group companies.
- 2 In the comprehensive energy field, the Company will proceed with the gas pipeline construction between Yoshinoura and Makiminato without fail and work to acquire new customers along the pipeline in addition to the ongoing gas supply business and the ESP business.
- ③ Outside the area, the Company will advance initiatives that leverage the expertise nurtured in the Electric Business, such as the introduction of renewable energy in small-scale systems.
- ④ In the construction and real estate fields, the Company will push forward with corporate real estate (CRE) strategy and actively get involved in the town-making field by taking the advantage of the strengths as a comprehensive energy business operator.
- (5) In the IT and innovation field, the Company will steadily move forward with the effort for early commercialization with an eye to rolling out the IT-based service of watching over people nationwide.



Group Businesses (Examples of Initiatives: Development of Energy Services)

- Through Reliance Energy Okinawa, Inc., the Company runs the energy service business of owning energy facilities and processing and supplying energy. Currently, 12 customers are using the services.
- Additionally, the Company built an energy center inside the OEPC head office and has started supplying energy to its main building, off-premises commercial complex buildings, etc. Going forward, the Company will also roll out a broad-area energy service with that center as a model.

Increase in new energy demand

- Large-scale development of urban areas (e.g. former U.S. military bases)
- Construction of hotels in response to an increase in the number of tourists
- Construction of large-scale retail stores

Advancement and diversification of energy needs

- Reduce initial investment in energy use (e.g. electricity and gas)
- Reduce burdens involved in facility operation/maintenance and emergency response





- · It owns energy facilities on behalf of customers.
- It provides electricity and gas in the forms of, for example, air-conditioning water (cold / hot), hot-water supply and steam.

Reliance Energy Okinawa Inc. was awarded the Energy Conservation Grand Prize 2022 (Minister of Economy, Trade and Industry Award) for its energy service business in a large-scale commercial facility in Okinawa Prefecture. In addition, the company won the grand prize in the "Minister of the Environment Awards of Climate Action 2023," administered by the Ministry of the Environment, in November.



Group Businesses (Examples of Initiatives: Gas supply business)

Commenced gas supply business through subsidiary PEC in 2015.

The OEPC Group will further promote sales of LNG by supplying LNG based on LNG supply center, capturing demand along newly constructed gas pipelines, and collaborating with other energy companies.

Pipeline supply

Supplies gas to customers in the vicinity of the Yoshinoura thermal power plant through gas pipelines after vaporizing and odorizing liquefied natural gas (LNG).

Lorry supply

Supplies LNG by tank lorry to customers in areas where pipelines are difficult to be developed.



LNG Supply Center

At former U.S. military base site and industrial parks, PEC^{*1} constructs supply centers^{*2} and supplies gas through pipelines.



- *1: Progressive Energy Corp.
- *2: Awase Natural Gas Supply Center, Suzaki Natural Gas Supply Center and Makiminato Natural Gas Supply Center

Principal customers

Okinawa Gas Co. (Raw materials for city gas) TAKUNAN STEEL CO., LTD Okinawa Watakyu shingu Co. ORION BREWERIES,LTD Chubu Tokushukai Hospital Royal Hotel OKINAWA ZANPAMISAKI Musashino Okinawa Hyatt Regency Seragaki Island, Okinawa ITO EN, LTD.

- 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.



Group Businesses (Examples of Initiatives: Development of Lifestyle and Business Support Businesses)

- We will develop our lifestyle support business, which utilizes cutting-edge technologies to realize a safe and secure society.
- ✓ Development of Mimamori (caring family monitor) Service
- We established "Okiden C plus C Corporation" to commercialize Mimamori Service which would utilize cutting-edge technology (May 2021).
- It utilizes state-of-the-art IT technology that can analyze indoor Wi-Fi signals using AI without using a camera or microphone, to understand human movements and breathing during sleep.
- From FY2021 to FY2022, In light of the needs confirmed through the Demonstration Project for Establishing a System for Monitoring the Elderly Utilizing IT implemented in 12 municipalities, including Naha City, during FY2022, we are currently working to review the ideal way of monitoring ("Mimamori") in cooperation with local communities, system development, and test operation with local governments.
- In April 2023, we signed a memorandum of understanding for collaboration and cooperation with nami, a Singapore-based startup that develops sensors equipped with Wi-Fi sensing technology.
- In the future, the Company will expand the service of watching over the elderly from Okinawa to the whole country and also explore the possibility of new services in the energy management field and the security field.





Scene of the agreement-signing ceremony with a municipality



Scene of the memorandum-signing ceremony with nami

Group Business (Examples of Initiatives: Acceptance of Comprehensive Orders for Construction of Common Cable Tunnels, etc.)

- The OEPC Group will act on behalf of the road administrator as a "consulting service" for consultations with related parties that are troublesome to coordinate.
- The OEPC Group proposes smooth development of common cable tunnels, by accepting comprehensive orders in combination with the design and construction work.
- The Company's approach was introduced as a new method to shorten the construction period in a document of the Agency for Natural Resources and Energy and the Ministry of Land, Infrastructure, Transport and Tourism at expert meeting "Council on the Way the Promotion of the Removal of Utility Poles Should be."

2-4. Expansion of implementation of integrated design and construction In the system for common-use cable tunnels, each company used to contact and coordinate with road administrators from design to construction. However, through a new procedure in which <u>cable</u> administrators act the contact with road administrators and all design work and construction are conducted in an integrated manner, the construction period has been shortened from about seven years to about four years by preventing rework and improving construction efficiency. TEPCO Power Grid extended this system to OEPD. In addition to three case examples in Toshima Ward. Takyo (Sugamo, lizederi). Usuma City, Okinawa Profecture (Prefecture) Power 16), and

Ward, Tokyo (Sugamo-Jizodori), Uruma City, Okinawa Prefecture (Prefectural Route 16), and Ginowan City (Nishi-Futenma residential area), new nine case examples including remote islands in Tokyo and Okinawa are underway.



<Implementation Status>

Company name	Location
TEPCO Power Grid	Toshima Ward, Tokyo (Sugamo Jizo-dori) (Construction completed)
Okinawa Electric Power Company (OEPC)	Uruma City, Okinawa Prefecture (Prefectural Route 16) (Construction completed)
Okinawa Electric Power Company OEPC)	Ginowan City, Okinawa Prefecture (Nishi-Futenma residential area) (under construction)
TEPCO Power Grid	Adachi Ward, Tokyo (Tokyo Women's Medical University) (Construction completed)
TEPCO Power Grid	Meguro Ward, Tokyo (Meguro Ginza Street) (under designing process)
TEPCO Power Grid	Niijima, Miyakejima, Hahajima, and Oshima in Tokyo (Construction partially completed)
TEPCO Power Grid	Toshima and Mikurajima in Tokyo (under construction)
Okinawa Electric Power Company OEPC)	Naha City, Okinawa Prefecture (National Route 331) (under designing process)
Okinawa Electric Power Company OEPC)	Okinawa City, Okinawa Prefecture (Prefectural Route 85) (under designing process)
Okinawa Electric Power Company OEPC)	Ishigaki City, Okinawa Prefecture (The road along a former airport site) (Under planning)
Okinawa Electric Power Company OEPC)	Miyakojima City, Okinawa Prefecture (Central vertical road) (under designing process)
Okinawa Electric Power Company OEPC)	Izena Village, Okinawa Prefecture (Village road Haimi Road) (under designing process)

[Role of the OEPC Group]

 Okinawa Electric Power Company (OEPC)

Promotion of the removal of utility poles

Group-wide support

Okidenko
 Overall management of

construction as the main contractor **Okiden Kigyo**

Liaison with road administrators Consulting services

 Okinawa Enetech Design work

Document by Agency for Natural Resources and Energy (Council on the Way the Promotion of the Removal of Utility Poles Should be. February 28, 2024)

Action to Implement Management that is Conscious of Cost of Capital and Stock Price ①

- The Company formulated the OECP Group Medium-term Management Plan 2025" in 2022 and holds up the slogan of expansion of the top line and the challenge to carbon neutrality, under which the Company is advancing initiatives for the provision of new value of energy with something extra.
- Following the implementation of the rate revision in June 2023, with the belief that steadily advancing this medium-term management plan to increase profitability and improve capital efficiency will lead to a recovery in business performance and a high market evaluation, the Company will keep driving the effort.
- In addition, in light of changes in the external environment, the Company will step up its efforts to enhance capital efficiency and take appropriate measures to realize the management that is conscious of cost of capital and stock prices.

Trends in PBR of the Company

Since FY2017, the Company's PBR has been almost on a par with the industry's average. On the other hand, the PBR has remained below 1x.



[Factor analysis of causes for the Company's PBR (Current Level*)]

The Company divided its PBR as follows. It was broken down to ROE (1), capital efficiency (ROIC2, financial leverage 3) and PER (4).



Stock price: As of the end of FY2023





*1 The fiscal years that posted net loss are excluded from the calculation of the average of ten companies *2 As the Company posted net loss for the fiscal year, the value of the Company for FY2022 is displayed as zero [Assessment of the current status of the Company's PBR (Breakdown of factor analysis) and direction of responses]

Assessment of the Company's ROE (ROA/Shareholders equity ratio)

The Company's ROE over the past ten years are within the range of 2.5% and 5.3%. *Excluding the period between 2021 and 2023 The Company recognizes that it is possible to keep ROE at the level of 5% to 8% with a damaged shareholders equity if the ROA level can be maintained. On the other hand, the Company finds it necessary to ensure a certain level of financial soundness*, and recognizes that it is necessary to further raise ROA.

* The Company aims at a shareholders equity ratio of 25% within the recovery period (up to 2025).

ROE levels from the viewpoint of ROA and shareholders equity ratio



2 Capital efficiency against cost of capital

Currently, the Company is in the situation of being unable to realize the profitability (ROIC) exceeding cost of capital (WACC) mainly due to the deterioration of the income and expenditure situation resulting from surges in resource prices and a delay in a rate revision.

The Company is aware of the need to accord importance to efficiency, and will consider management methods for enhancing capital efficiency.

3 Assessment of financial leverage (1/Shareholders equity ratio)

For the time being, financial leverage will go down since the Company strives to restore the damaged shareholders equity. However, in light of the business environment around the Company, the Company will continue considering the level of financial leverage that strikes a good balance between "Financial soundness" and "Capital efficiency."

4 Assessment of PER

To meet the expectations of shareholders and investors (market evaluation), the Company strives to enrich dialogue through IR, etc. and garner trust through the restoration of the current business performance and shareholders return. Additionally, in order to improve capital efficiency and enhance the probability of medium- to long-term growth strategies, the Company will disclose the path to an improvement to sustainable corporate value, as appropriate, with the next medium-term management plan in mind.

Action to Implement Management that is Conscious of Cost of Capital and Stock Price ④

To improve PRB, in light of changes in the external environment, the Company will step up its efforts to enhance capital efficiency and take appropriate measures to realize the management that is conscious of cost of capital and stock prices.

[Initiatives to Improve the Company's ROA]

In the future, the Company will steadily implement each initiative while assessing their progress, and continue its efforts to improve ROA.

<Dissect ROA into the factors of profit expansion and asset optimization, and break down them to efforts based on the current medium-term management plan>



Characteristics of the Business Bases

Demand for Energy	 Increasing demand for energy, supported by Okinawa's advantages and potential. As the proportion of energy for consumer use is high, effects of economic fluctuations are low for demand for Electric power. Potential demand due to large-scale urban development projects.
Competition	 OEPC is outside the framework of wide-area power interchange because that is not connected with the transmission lines of other power companies. OEPC has voluntarily released power of 10,000kW supplied by J-Power. Competition is advancing due to the entry of energy suppliers. Biomass power plant by power producer and supplier has started operation.
Power Generation Facilities	 A high reserve supply capacity is required since the systems of Okinawa area are small and independent. Reliant on fossil fuels due to difficulties to develop nuclear or hydraulic power generation. Coal-fired thermal power generation is indispensable not only for stable supply but also for maintaining electricity rates.
Remote Islands	 OEPC supplies power to 11 isolated systems including those in the main island. The region has a high cost structure because it has small islands and also because the scale of the economy is small. This leads to constant loss recording.
Measures against global warming	 Currently, possible measures are limited due to reasons including the region's geographic characteristics and constraints on the scale of demand. The introduction of renewable energies contributes to reducing fuel consumption and cost on remote islands, where fuel unit price is high. Since the systems of Okinawa area are small and independent, the limit of connection volume is likely to occur when using renewable energies.

Statements regarding future performance included in this document is based on calculations and predictions, and contain potential risks and uncertainties.

Please be aware that future results may change in accordance with changes in assumptions related to the management environment and the like.

[Enquiries regarding this document]

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