Management Overview

November 2019

The Okinawa Electric Power Company, Inc.

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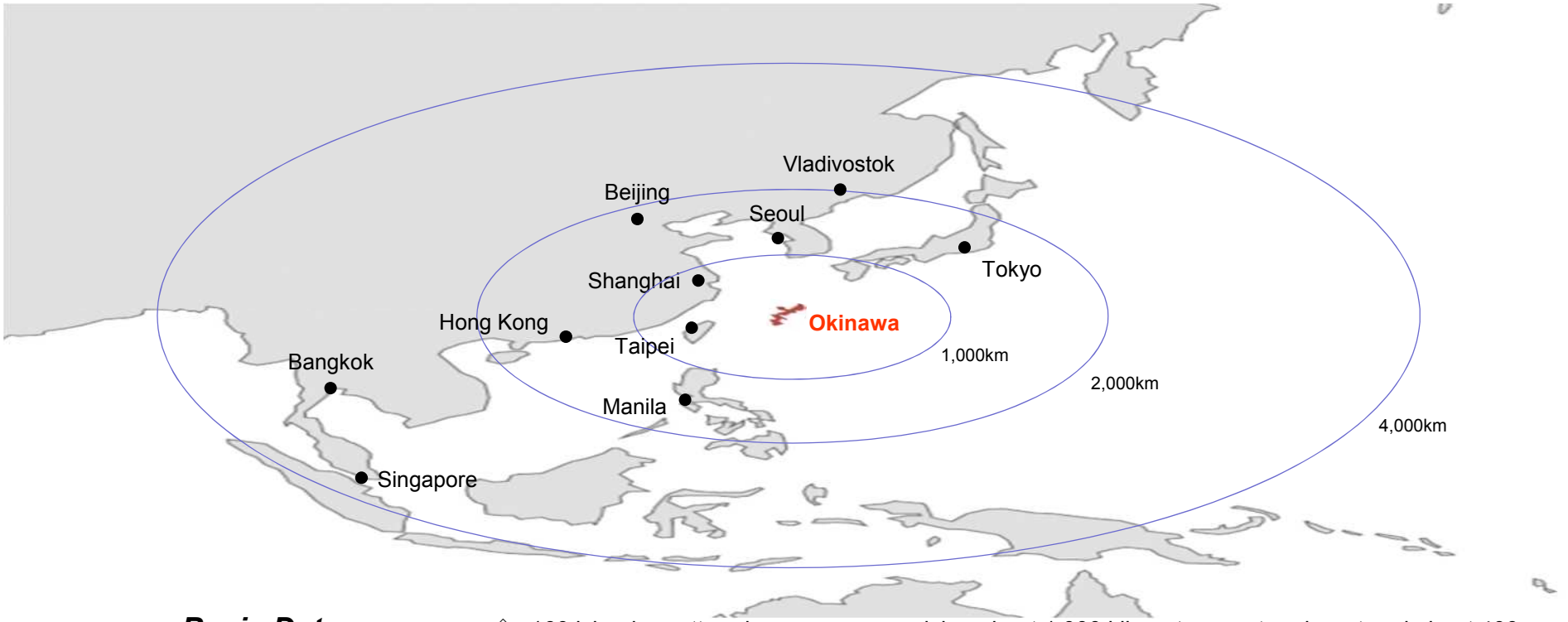
Overview of Okinawa Prefecture



Basic Data

Population:	1,453,750
No. of Households	605,024
Area	2,281 ㎢
Climate	Subtropical
Location	26°12N 127°41E
Prefectural GDP	¥4330.4billion
Tourism Revenue	¥733.4billion

◇ 160 islands scattered over a sea area lying about 1,000 kilometers east and west and about 400 kilometers north and south.

◇ 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.

◇ 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 September 1, 2019
Area as of July 1, 2019
Prefectural GDP as of Estimated results FY 2018
Tourism Revenue as of FY 2018 (Source: Okinawa Prefecture, Geographical Survey Institute)

Corporate Overview of OEPC

- The Okinawa Electric Power Company (OEPC) supplies electricity to 37 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
Capital	¥7,586 million
Total assets	¥368.746 billion (Non-consolidated) ¥399.104 billion (Consolidated)
Employees	1,542 (Consolidated：2,724)

Security code	9511
Service area	Okinawa Prefecture
Generating facilities	Steam-power generators 5 locations 1,629 thousand kW (Oil 2 locations 375 thousand kW) (Coal 2 locations 752 thousand kW) (LNG 1 locations 502 thousand kW) Gas turbine generators 5 locations 326 thousand kW Internal-combustion power generators 13 locations 190 thousand kW Wind power generators 5 locations 2 thousand kW Total 2,147 thousand kW

(as of March 31, 2019)

Ratings

Rating agency	S&P	Moody's	R&I
Rating	A+	A1	AA
Outlook (direction)	Positive	Stable	Stable

* Ratings on long-term preferred debts as of October 25, 2019

Financial Results for FY2019 2Q YTD
(Year-on-Year Comparison)

(Unit: million yen, X)

	Consolidated (A)			Non-consolidated (B)			(A) / (B)	
	FY2018 2Q YTD (Results)	FY2019 2Q YTD (Results)	Rate of Change	FY2018 2Q YTD (Results)	FY2019 2Q YTD (Results)	Rate of Change	FY2018 2Q YTD (Results)	FY2019 2Q YTD (Results)
Sales	109,593	111,032	+1.3%	105,776	106,366	+0.6%	1.04	1.04
Operating income	5,590	8,762	+56.7%	5,419	8,483	+56.5%	1.03	1.03
Ordinary income	5,096	8,398	+64.8%	5,217	8,214	+57.4%	0.98	1.02
Net income	3,921*	6,453*	+64.6%	4,124	6,405	+55.3%	0.95	1.01

* Net income attributable to owners of parent.

Consolidated and Non-consolidated : Increase in Sales, Increase in Income (the first time in 2 years)

【Revenue】

- Decrease in Electricity sales due to decrease in Electricity sales volume in Electric business.
- Increase in Sold power to other suppliers and Transmission revenue in Electric business.
- Increase in Sales to outside customers in consolidated subsidiaries.

【Expenditure】

- Decrease in Fuel costs and Purchased power costs in Electric business.

Annual Outlook Summary FY2019

(Unit: million yen, X)

	Consolidated(A)				Non - Consolidated(B)				(A) / (B)	
	FY2018 (Results)	FY2019 (Forecasts) Announced In Jul.2019 (I)	FY2019 (Forecasts) Announced In Oct.2019 (II)	Change (II) - (I)	FY2018 (Results)	FY2019 (Forecasts) Announced In Jul.2019 (I)	FY2019 (Forecasts) Announced In Oct.2019 (II)	Change (II) - (I)	FY 2018 (Results)	FY 2019 (Forecasts)
Sales	205,481	205,600	206,400	+800	195,960	195,200	196,000	+800	1.05	1.05
Operating income	5,443	7,900	8,900	+1,000	3,507	6,600	7,600	+1,000	1.55	1.17
Ordinary income	5,220	7,200	8,200	+1,000	3,694	6,000	7,000	+1,000	1.41	1.17
Net income	3,751*	5,500*	6,300*	+800	3,034	4,800	5,600	+800	1.24	1.13

* Net income attributable to owners of parent.

Consolidated and Non-consolidated : Increase in Sales, Increase in Income (the first time in 2 years)

[Comparison with previous forecasts (Jul.2019)]

【Revenue】

- Increase in Electricity sales due to increase in Electricity sales volume in Electric business.
- Increase in Sold power to other suppliers and Transmission revenue in Electric business.

【Expenditure】

- Decrease in Fuel costs and Purchased power costs in Electric business.

Electric Energy Demand (Results)(1/2)

Electricity Sales Volume

(Unit: million kWh, %)

	FY2018 2Q YTD (Results)	FY2019 2Q YTD (Results)	Change	Rate of Change
Lighting	1,639	1,610	-29	-1.8
Power	2,474	2,356	-118	-4.8
Total	4,113	3,966	-147	-3.6

<Lighting / Power >

Although the demand increased by new customers, Electricity sales volume decreased compared with Year-on-Year due to switching to other suppliers.

■ Power Generation Infrastructure and Power Generated and Received

(Unit: million kWh, thousand kW)

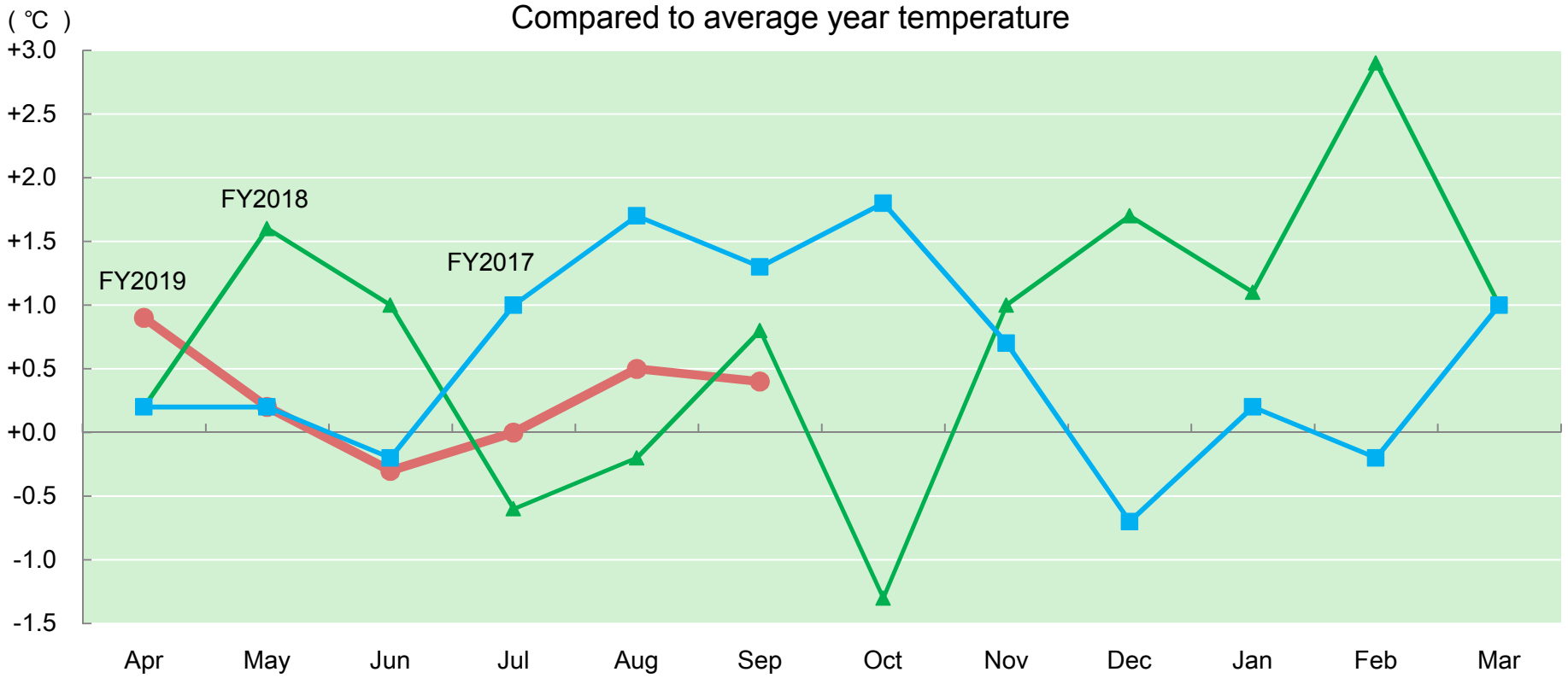
		FY2018 2Q YTD		FY2019 2Q YTD			
		Electricity generated	Com-position ratio	Electricity generated	Com-position ratio	Maximum output	Com-position ratio
OEPC	Coal	1,633	37.1%	1,836	43.2%	752	30.6%
	Oil	640	14.5%	607	14.3%	856	34.8%
	LNG	923	21.0%	809	19.0%	537	21.9%
	Total	3,196	72.6%	3,252	76.5%	2,145	87.3%
Other company (coal)		925	21.0%	891	21.0%	312	12.7%
Other		284	6.4%	108	2.5%	-	-
Total		4,405	100.0%	4,251	100.0%	2,457	100.0%

<Power Generated and Received>

- Power generated and received was 4,251 million kWh, down 3.5%.*
- Ratio of OEPC's Coal-fired thermal power was up 6.1 points.*
- Ratio of OEPC's LNG-fired thermal power was down 2.0 points.*

*Comparison with previous year.

Electric Energy Demand (Results)(2/2)



Average temperature

(Unit:℃)

	Apr	May	Jun	Apr-Jun	Jul	Aug	Sep	Jul-Sep	1st half	Oct	Nov	Dec	Oct-Dec	Jan	Feb	Mar	Jan-Mar	2nd half	FY
FY2019	22.3	24.2	26.5	24.3	28.9	29.2	28.0	28.7	26.5	–	–	–	–	–	–	–	–	–	–
FY2018	21.6	25.6	27.8	25.0	28.3	28.5	28.4	28.4	26.7	23.9	23.1	20.4	22.5	18.1	20.0	19.9	19.3	20.9	23.8
FY2017	21.6	24.2	26.6	24.1	29.9	30.4	28.9	29.7	26.9	27.0	22.8	18.0	22.6	17.2	16.9	19.9	18.0	20.3	23.6
Average year temperature	21.4	24.0	26.8	24.1	28.9	28.7	27.6	28.4	26.2	25.2	22.1	18.7	22.0	17.0	17.1	18.9	17.7	19.8	23.0

Electric Energy Demand (FY2019 and Long-term Outlook)

Electricity sales volume (FY2019 Outlook)

(Unit：million kWh, %)

	FY2018 Results	FY2019 Forecasts	YoY Rate of Change
Lighting	2,960	2,989	1.0
Power	4,493	4,333	-3.6
Total	7,453	7,322	-1.8

(Lighting)

Demand for lighting is expected to increase year-on-year due to the reactionary increase from the decrease in heating demand due to high temperature last winter. (YoY growth:1.0%)

(Power)

Demand for power is expected to be lower year-on-year due to the impact to customers switching to other suppliers, despite an increased demand due to new commercial and accommodation facilities being built. (YoY growth:-3.6%)

(Total)

As explained above, the total electricity sales volume is expected to be 7,322 million kWh, short of the previous year.
(YoY growth:-1.8%)

Electricity sales volume (Long-term Outlook)

(Unit：million kWh, %)

	FY2007 Results	FY2017 Results	FY2028 Forecasts	2007-2017 Annual average growth rate	2017-2028 Annual average growth rate
Lighting	2,945	3,140	3,014	0.6 (0.4*)	-0.4 (-0.1*)
Power	4,546	4,621	4,172	0.2 (-0.1*)	-0.9 (-0.6*)
Total	7,491	7,761	7,186	0.4 (0.1*)	-0.7 (-0.4*)

* Adjusted for the influence of temperature.

(Lighting)

Demand for lighting is expected to decrease due to the impact of customers switching to other suppliers, despite an increased demand resulting from growth in the number of population and households.(Annual average growth:-0.1%*)

(Power)

Demand for power is expected to decrease due to the impact of customers switching to other suppliers, despite an increase in commercial and accommodation facilities and food manufacturers due to growth in the number of population and tourists.
(Annual average growth:-0.6%*)

(Total)

As explained above, the total electricity sales volume is expected to be 7,186 million kWh, marking a moderate increase.
(Annual average growth:-0.4%*)

Capital Expenditures Plan (Electric Business)

- Capital investment in FY 2019 is expected to be around 30 billion yen.
- Large-scale power source development is not planned for the next few years.
- Although costs for responding to aging of supply facilities are expected to increase, efforts are made to level off investment amounts.

Trends in the Capital Investment Amount

(Unit: 100million yen)

By facilities \ FY		2014【Results】	2015【Results】	2016【Results】	2017【Results】	2018【Results】	2019
Power sources		109	40	29	34	26	67
Supply facilities	Transmission	37	51	56	39	57	87
	Transformation	37	22	35	21	23	59
	Distribution	58	51	59	59	61	77
	Subtotal	133	125	151	120	141	224
Others		2	17	11	14	5	6
Total		245	184	193	168	173	297

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

[Major Projects in Upcoming Capital Investments]

Supply facilities: Expansion of Tomoyose Substation

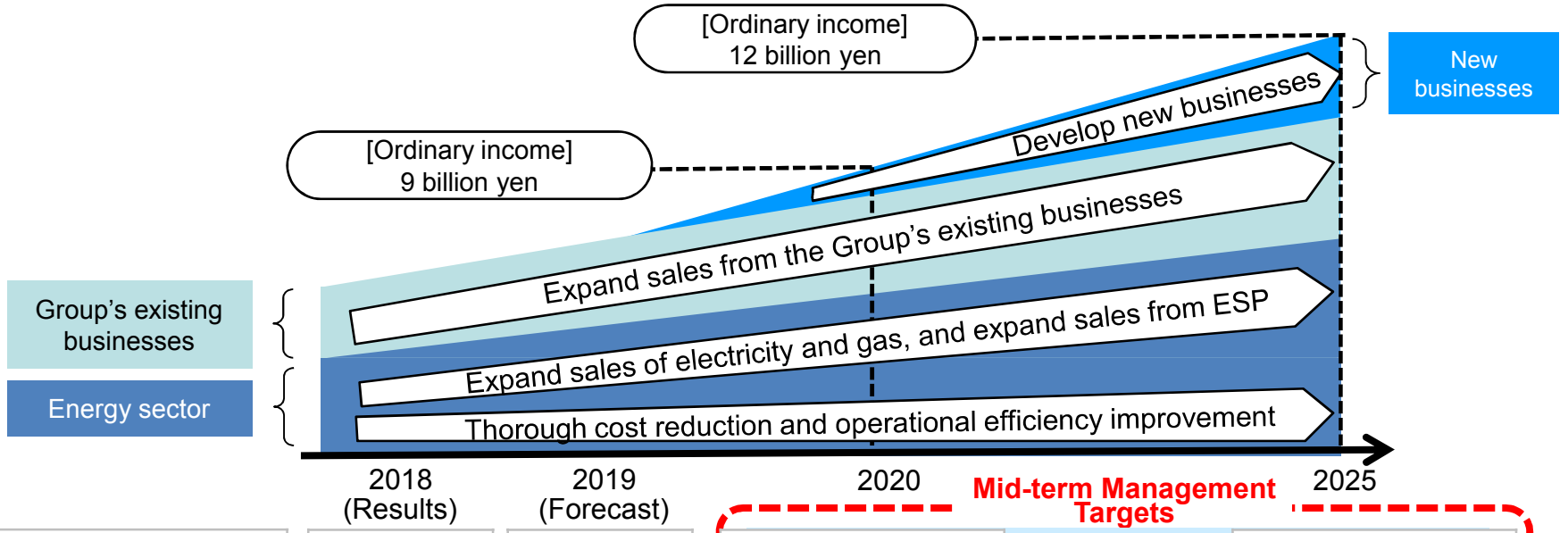
Business environment and challenges

Item	Overview and Challenges
Sales	■ The business environment including increase in population and tourists remains the same. ■ The demand for Electric Power in Okinawa area will increase, but the rate of its increase has been slowing down. ■ The entry of power producer and supplier has advanced competition. ■ Challenges will be sales expansion of electricity and gas.
Profitability	■ Due to shift from coal to LNG, burden of fuel cost reduces profit. ■ A challenge will be to improve profitability. ■ The cost structure must be reviewed.
CF	■ No large-scale electric power development is planned for the time being. ■ A certain level of free cash flow will be secured. ■ The Company has a certain capacity for additional investment.
Capital composition	■ Interest-bearing debt is diminishing. ■ Equity capital is secured at the level necessary for financial stability. ■ A challenge is to improve capital efficiency.

Mid-Term Management Plan (2019-2021)

What we aim to be

The OEPC Group Vision sets out our vision for the future, pledging to “design and propose new value through services to support both corporate and individual customers” through our core business as a total energy supplier and to “become a unified business group that grows and develops hand-in-hand with the community.”



		2018 (Results)	2019 (Forecast)	Mid-term Management Targets		2025
Consolidated	Ordinary income	5.2billion yen	8.2billion yen	**9 billion yen** or more	**Financial targets**	**12 billion yen** or more
Consolidated	ROE	2.5%	4.1%	**4%** or greater	**Financial targets**	**5%** or greater
Consolidated	Capital adequency ratio	37.8%	37.3%	Maintaining the **30%** mark	**Financial targets**	Maintaining the **30%** mark
Amount of sales *1	Electricity	Approx. 90GWh	Approx. 120GWh	**155GWh**	**Key numerical targets (1)**	**330GWh**
Amount of sales *1	Gas *2	Approx. 11,000t	Approx. 12,000t	**13,500t**	**Key numerical targets (1)**	**30,000t**
Sales from outside the Group *3		Approx. 12billion yen	Approx. 13billion yen	**14 billion yen**	**Key numerical targets (2)**	**20 billion yen** or more

*1. Cumulative total from FY2016 *2. Exclude the amount of wholesale supplies provided to former general gas utilities *3. Sales other than electricity business

Mid-Term Management Plan (2019-2021)

[Priority Measures] We will implement the following measures for realizing "what we aim to be" and achieving mid-term management objectives.

(1) Expand Group's revenue

- Enhancement of the menu of electricity rates, provide better service
- Develop human resources for strengthening sales force
- Proactively promote gas supply business
- Strongly promote ESP business
- Participate in large projects (e.g. urban development projects)

etc.

(2) Thorough cost reduction and operational efficiency improvement

- Total cost reduction through strategic capital investment
- Reduce fuel cost for the main island and remote islands
- Reviewing operations on a zero basis
- Improving operational efficiency with new technology (e.g. IoT, AI and RPA)
- Further reduce cost of procuring materials and equipment

etc.

(3) Further strengthening the stable supply of energies

- Strengthen a autonomous maintenance capability through IoT platforms*, etc
- Correspond for power system stabilization
- Initiatives for securing electrical engineers
- Build facilities and promote measures for ensuring early restoration from typhoon disasters
- Initiatives to improve the reliability of gas supply facilities

etc.

* A system that integrates, visualizes and stores long-term data of dispersed power plants.

Mid-Term Management Plan (2019-2021)

The progress of main activities involved in the [Priority Measures]

(1) Expand Group's revenue

Enhancement of the menu of electricity rates, provide better service	■ From November 19, 2019, the "au Denki" service will be launched, which combines the electricity of Okinawa Electric Power Company, Inc. with the communication service, of Okinawa Cellular Telephone Company. ■ We are working on enhancing sales to customers who have switched to new power producers and suppliers, in addition to acquiring new customers steadily and promotion of all-electric houses.
Strongly promote ESP business	■ Actual result of ESP business(SAN-A Urasoe West Coast PARCO CITY (opened in June 2019))
Participate in large projects (e.g. urban development projects)	■ Consideration of the participation in the related business of urban development; Returned former U.S. military base sites, PPP/PFI projects. ■ Consideration of the effectively using real estate.

(2) Thorough cost reduction and operational efficiency improvement

Reduce fuel cost for the main island and remote islands	■ Consideration about further reduce fuel cost by increasing the efficiency of power supply operation and the medium- to long-term composition of power supply on the main island of Okinawa. ■ Consideration on the feasibility of using LNG as fuel for generating electricity for remote islands in view of ensuring stable supply, environmental friendliness and economic efficiency.
Further reduce cost of procuring materials and equipment	■ Consideration of unifying specifications among and implementing joint procurement with general electricity transmission and distribution operators based on the "Procurement Reform Roadmap", which was created in March 2019 for reducing cost of procuring materials and equipment.

(3) Further strengthening the stable supply of energies

Build facilities and promote measures for ensuring early restoration from typhoon disasters	■ In an effort to minimize the area of power outages, implementation of construction work to install remotely controlled switchgears and install power distribution lines in a loop. ■ In order to prevent damage from trees contacting on electric wires, replacement of electric wires with abrasion-resistant electric wires and relocation of electrical wireway installed in forests. ■ Strengthen cooperation with local governments. ■ Holding a media briefing session on typhoon response before the typhoon season.

Support for TCFD Recommendations

- In September 2019, Expressing to support the Recommendations adopted by the Task Force on Climate-related Financial Disclosures(TCFD)
- At the same time, deciding to participate in TCFD consortium.

- The composition of electric power source is highly reliant on fossil fuel, as developing nuclear or hydroelectric power generation is difficult in Okinawa due to the reasons of geographic condition and the small scale of demand.
- Under such conditions, we have been tackling with the issue of global warming and with the reduction of environmental load based on the “Okiden Group’s Policy on the Environment”.
- Also, through CSR reports and environmental action reports, we have been endeavoring to disclose information on environmental, social and governance initiatives(ESG) .
- In recognition of the fact that our business activities are significantly related to the issue of global environment, we agree with the purpose of the TCFD recommendations, which is “analyzing the risks and opportunities related to climate change that affect business and promoting climate-related financial disclosures”.
- We will continue to enhance information disclosure on climate change, improve corporate value, and contribute to the realization of sustainable society.

TCFD：Task Force on Climate-related Financial Disclosures
This task force was established by the Financial Stability Board (FSB), which is an international agency that has central banks, financial regulatory authorities and other organizations from major countries as members. In June 2017, a proposal was published regarding the ideal disclosure of information on climate-related risks and opportunities by companies.

TCFD Consortium ：
TCFD Consortium consists of companies and financial institutions supporting TCFD recommendations, where these organizations work together through discussing a path to effective disclosure by companies and adequate utilization of disclosed information in investment decisions by financial institutions. Established on May 27, 2019

Characteristics of the Business Bases

Demand for Energy	◆ Increasing demand for energy due to population growth and increasing tourists. ◆ 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 it has an isolated system. ◆ OEPC has voluntarily released power of 10,000kW supplied by J-Power. ◆ Competition is advancing due to the entry of energy suppliers. ◆ Power producer and supplier is currently implementing plans to construct power plants.
Total Energy Services	◆ Started selling gas with the introduction of LNG. ◆ Developing Total Energy Service by taken advantage of our ability to sell electricity and gas.
Electric Power Generation Facilities	◆ A high reserve supply capacity is required due to an isolated system. ◆ Reliant on fossil fuels only due to difficulties to develop nuclear or hydraulic power generation. ◆ A sufficient supply capacity is secured after Yoshinoura Thermal Power Plant has started operations.
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.
Renewable Energy	◆ Reducing fuel consumption and cost is highly effective on remote islands, where fuel unit price is high. ◆ Since the system in the main island of Okinawa is small and independent, the limit of connection volume is likely to occur when using renewable energy.

This document includes statements concerning future results. Such statements are based on calculations and predictions and are neither definite nor guaranteed. Please be aware that future results may change in accordance with changes in assumptions related to the management environment and the like.

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