Management Overview

May 2020

The Okinawa Electric Power Company, Inc.

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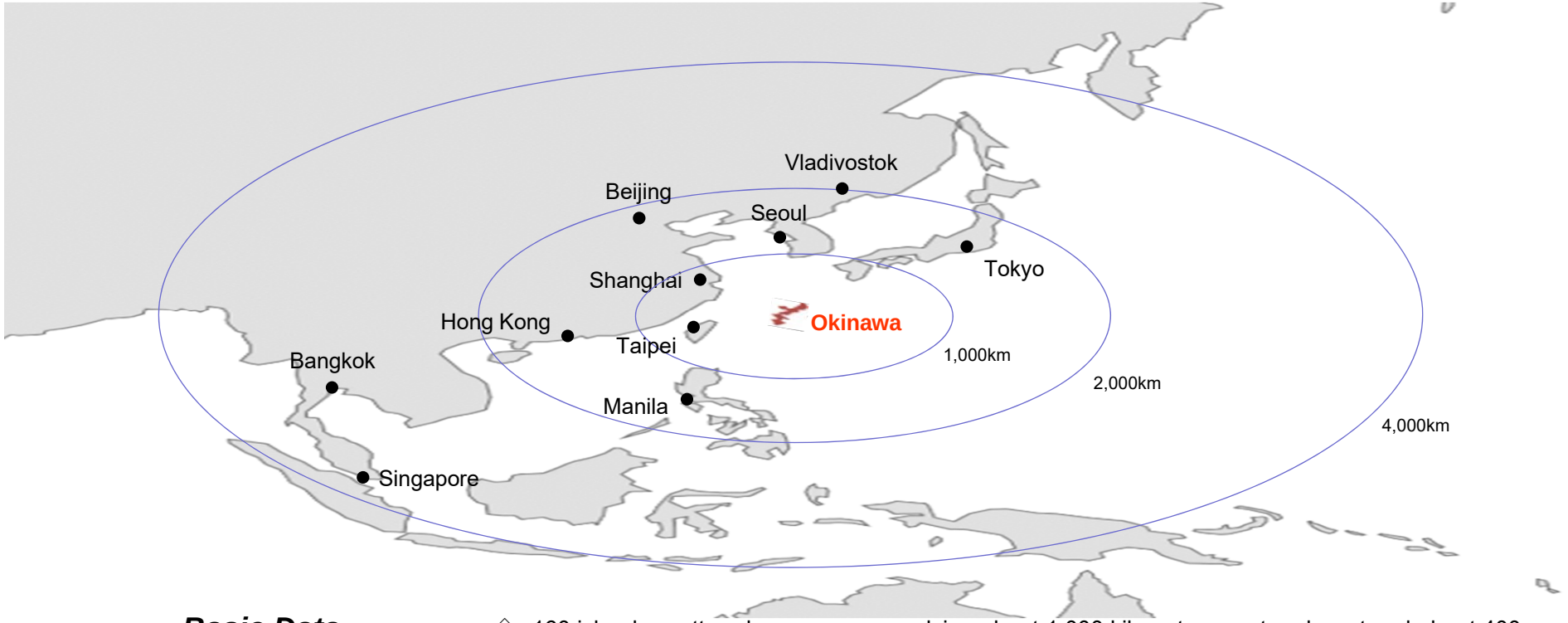
Overview of Okinawa Prefecture



Basic Data

Population:	1,451,676
No. of Households	608,753
Area	2,281 ㎢
Climate	Subtropical
Location	26°12N 127°41E
Prefectural GDP	¥4330.4billion
Tourism Revenue	¥734.1billion

◇ 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 April 1, 2020
Area as of January 1, 2020
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	¥373.941 billion (Non-consolidated) ¥408.789 billion (Consolidated)
Employees	1,543 (Consolidated：2,752)

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, 2020)

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 April 30, 2020

Financial Results for FY2019
(Year-on-Year Comparison)

(Unit: million yen, X)

	Consolidated (A)			Non-consolidated (B)			(A) / (B)	
	FY2018 (Results)	FY2019 (Results)	Rate of Change	FY2018 (Results)	FY2019 (Results)	Rate of Change	FY2018 (Results)	FY2019 (Results)
Sales	205,481	204,296	-0.6%	195,960	194,471	-0.8%	1.05	1.05
Operating income	5,443	10,326	+89.7%	3,507	8,236	+134.8%	1.55	1.25
Ordinary income	5,220	9,311	+78.4%	3,694	7,321	+98.2%	1.41	1.27
Net income	3,751*	6,705 *	+78.7%	3,034	5,651	+86.2%	1.24	1.19

* Net income attributable to owners of parent.

Consolidated and Non-consolidated : Decrease in Sales, Increase in Income (the first time in 3 years)

【Revenue】

- Decrease in Electricity sales due to decrease in Electricity sales volume and income from the Fuel cost adjustment system 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 Depreciation costs in Electric business.

Annual Outlook Summary FY2020

(Unit: million yen, X)

	Consolidated (A)			Non-consolidated (B)			(A) / (B)	
	FY2019 (Results)	FY2020 (Forecasts)	Rate of Change	FY2019 (Results)	FY2020 (Forecasts)	Rate of Change	FY2019 (Results)	FY2020 (Forecasts)
Sales	204,296	191,800	-6.1%	194,471	181,500	-6.7%	1.05	1.06
Operating income	10,326	10,000	-3.2%	8,236	8,100	-1.7%	1.25	1.23
Ordinary income	9,311	9,300	-0.1%	7,321	7,500	+2.4%	1.27	1.24
Net income	6,705*	7,000 *	+4.4%	5,651	5,900	+4.4%	1.19	1.19

* Net income attributable to owners of parent.

Consolidated : Decrease in Sales (2 consecutive years),
Ordinary income (Almost unchanged from the previous year)

Non-consolidated : Decrease in Sales, Increase in Income (2 consecutive years)

【Revenue】

- Decrease in Electricity sales due to decrease in income from the Fuel cost adjustment system and Electricity sales volume in Electric business.

【Expenditure】

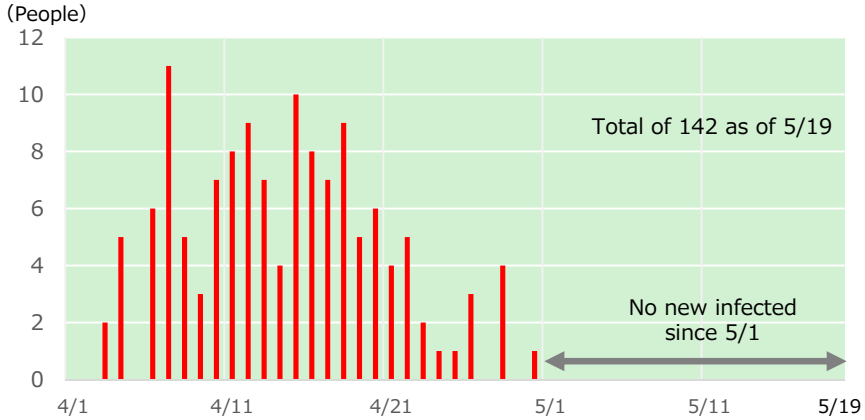
- Decrease in Fuel costs and Purchased power costs in Electric business.

The impact due to spread of the novel coronavirus is not considering in this forecast because it is extremely difficult to calculate.

Influence of the novel coronavirus（1/3）

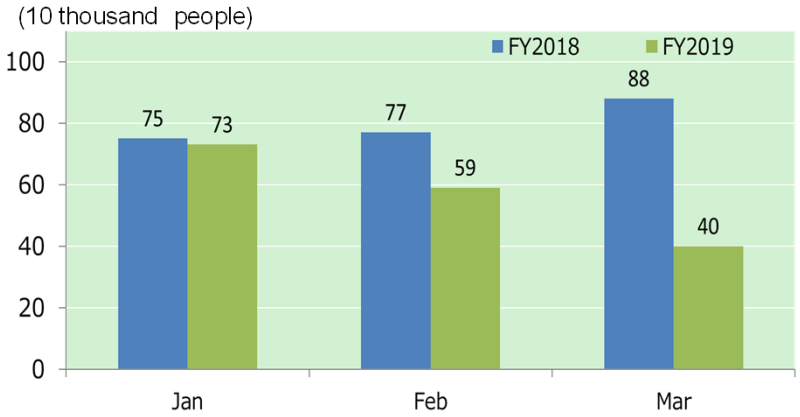
■ From January to March 2020, the spread of the novel coronavirus infection had affected many industries, especially the tourism industry.

① Number of infected in the prefecture



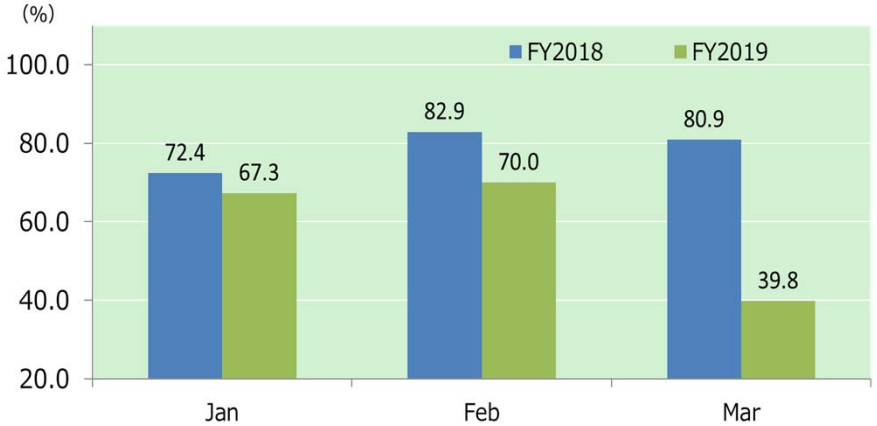
Source: “Okinawa COVID-19 Information Website” published by Okinawa Prefectural Government

② Trend of the Number of incoming tourists



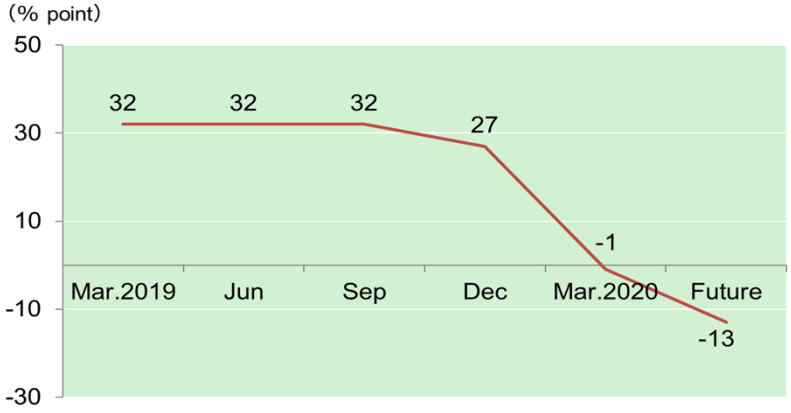
Source: “Summary Statistics on Incoming Tourists to Okinawa” published by Okinawa Prefectural Government

③ Hotel occupancy rate



Source: “Financial and Economic Review of the Prefecture” published by Bank of Japan NAHA Branch

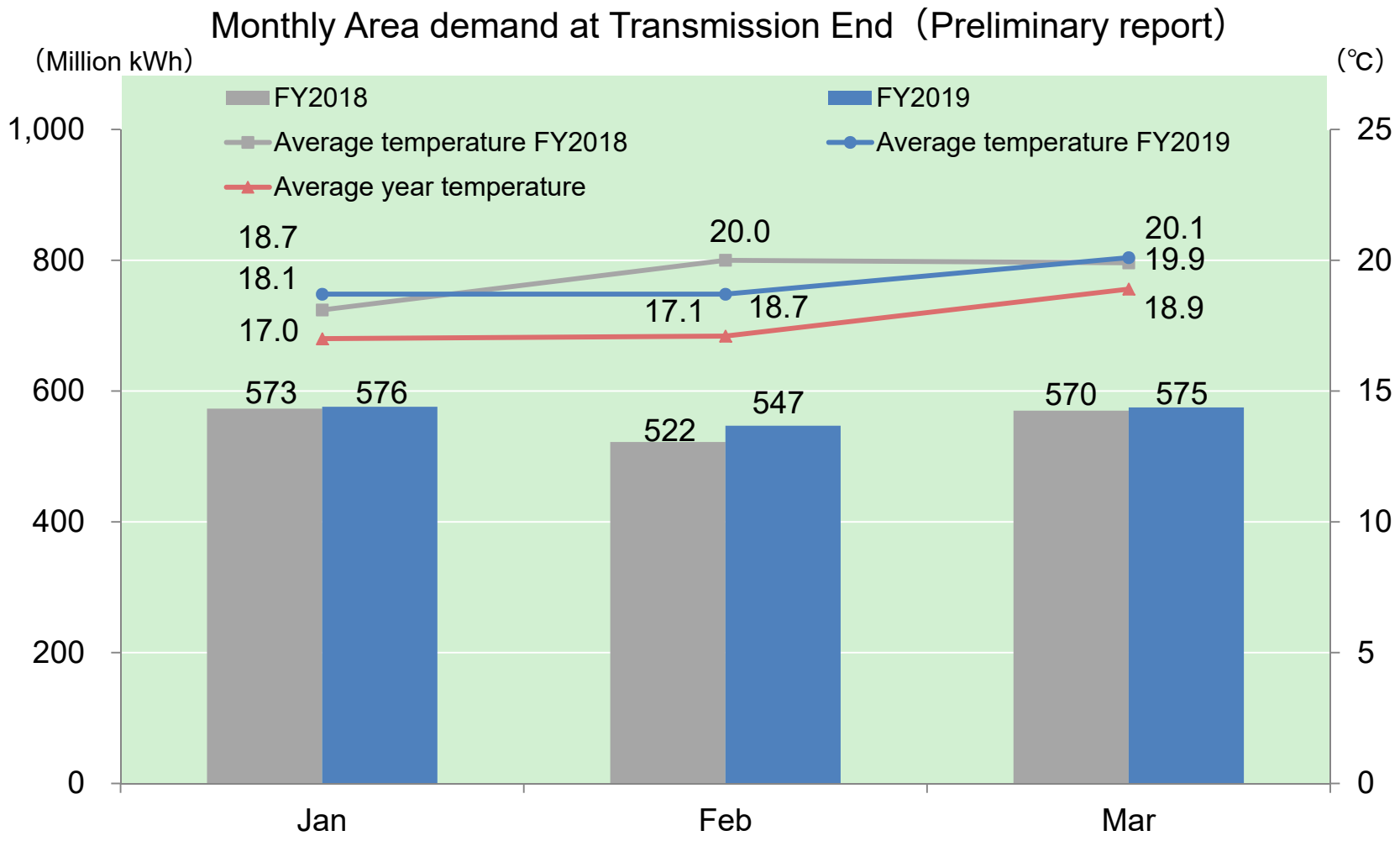
④ Diffusion Index



Source: “Results of the Survey of Short-Term Economic Observations of Businesses in the Prefecture” published by Bank of Japan NAHA Branch

Influence of the novel coronavirus（2/3）

■ Area demand in Jan-Mar 2020 was higher than in the same month last year, and the impact of the novel coronavirus was limited.



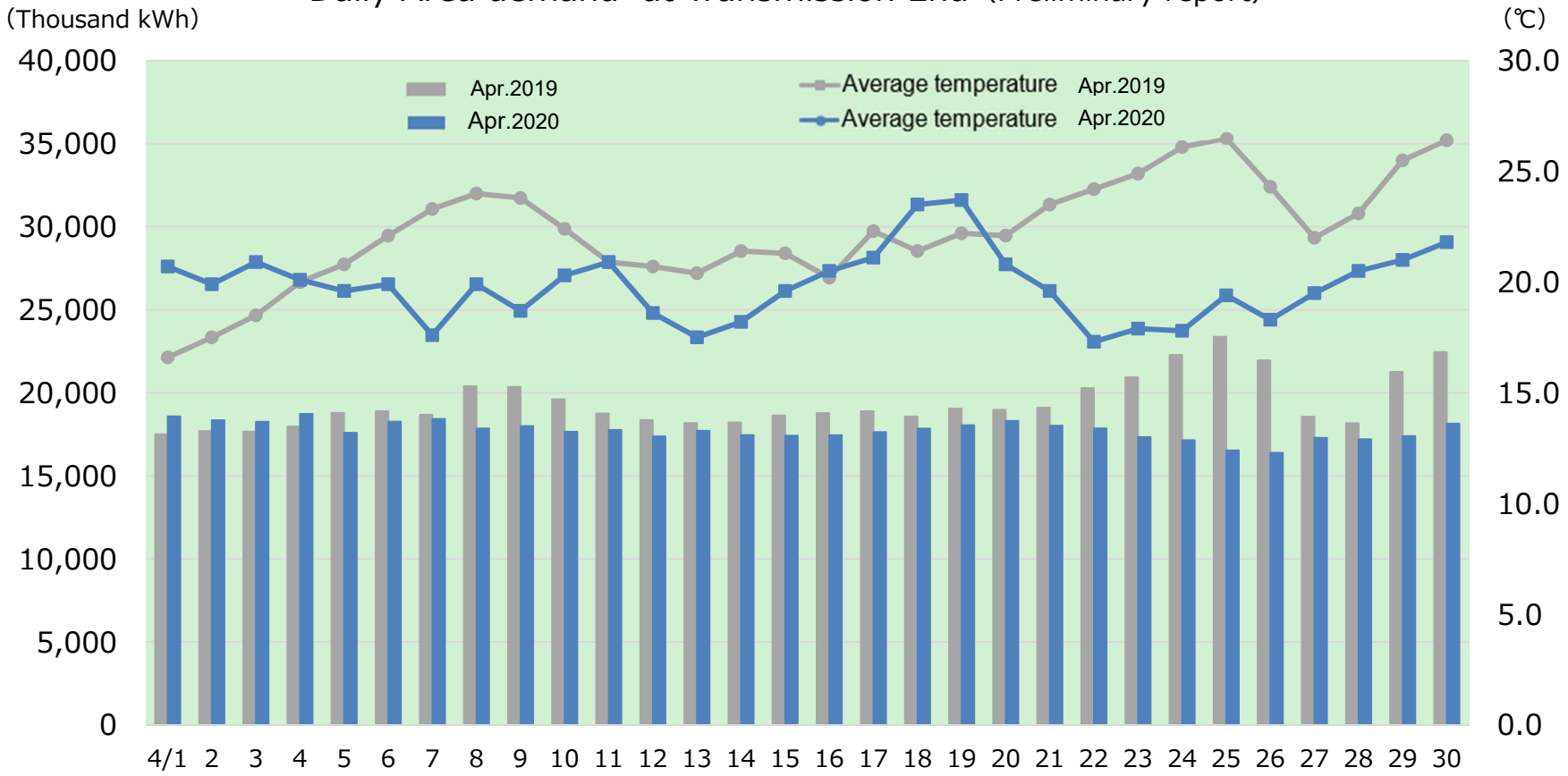
Influence of the novel coronavirus（3/3）

■ Area demand in April 2020 was significantly lower, down 8.6%.In addition to lower average temperatures compared to the previous year, it is assumed that there was an impact of the spread of the novel coronavirus infections.

April.2019：582 Million kWh　　Average temperature：22.3℃

April.2020：532 Million kWh（-8.6%*）　　Average temperature：19.8℃（-2.5℃*）*Comparison with previous year

Daily Area demand at Transmission End（Preliminary report）



Electric Energy Demand (Results)(1/2)

Electricity Sales Volume

(Unit: million kWh, %)

	FY2018 (Results)	FY2019 (Results)	Change	Rate of Change
Lighting	2,960	2,946	-14	-0.5
Power	4,493	4,370	-123	-2.7
Total	7,453	7,316	-137	-1.8

<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)

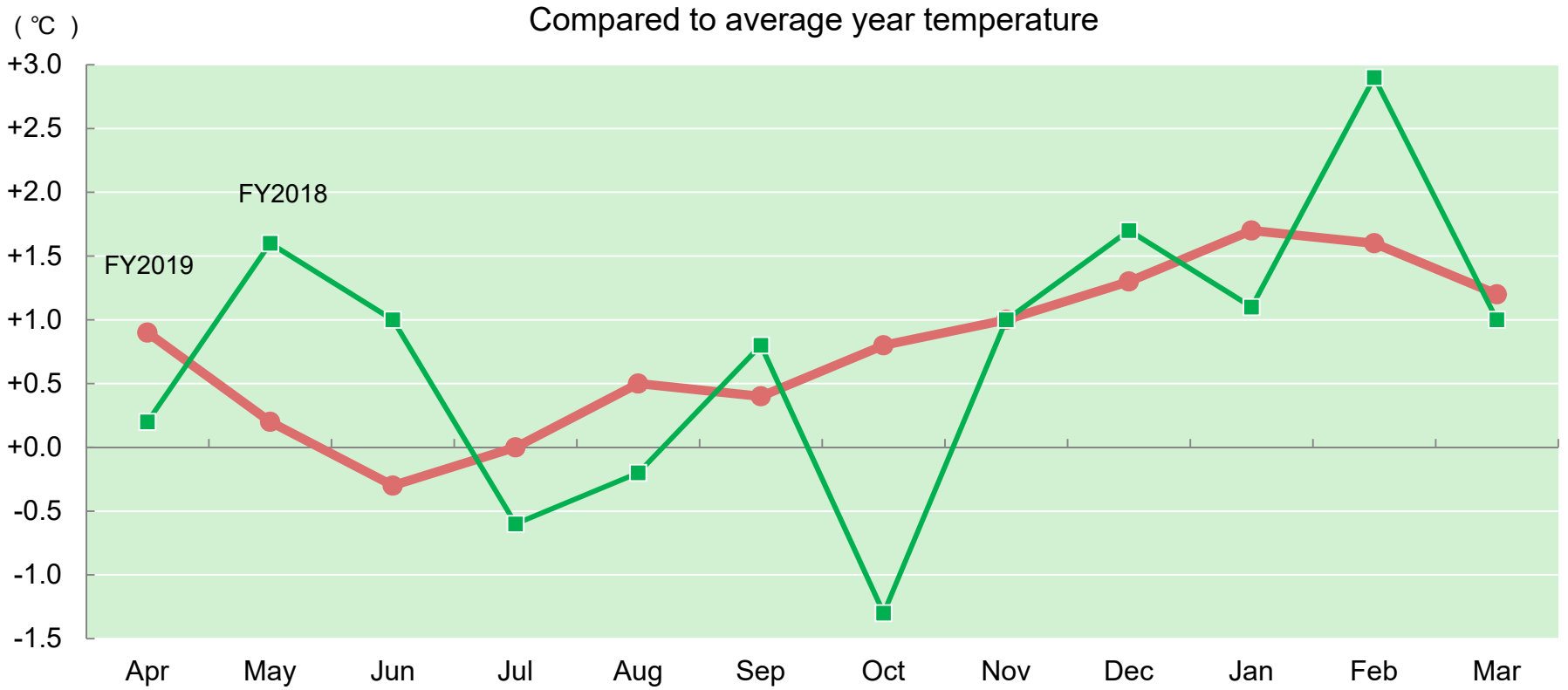
		FY2018		FY2019			
		Electricity generated	Com-position ratio	Electricity generated	Com-position ratio	Maximum output	Com-position ratio
OEPC	Coal	3,093	40.0%	3,208	42.1%	752	30.6%
	Oil	1,111	14.3%	1,092	14.3%	856	34.8%
	LNG	1,608	20.8%	1,519	20.0%	537	21.9%
	Total	5,812	75.1%	5,819	76.4%	2,145	87.3%
Other company (coal)		1,511	19.5%	1,610	21.1%	312	12.7%
Other		420	5.4%	186	2.5%	-	-
Total		7,743	100.0%	7,615	100.0%	2,457	100.0%

<Power Generated and Received>

- Power generated and received was 7,615 million kWh, down 1.7%.*
- Ratio of OEPC's Coal-fired thermal power was up 2.1 points.*
- Ratio of Other company's Coal-fired thermal power was up 1.6 points.*
- Ratio of OEPC's LNG-fired thermal power was down 0.8 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	26.0	23.1	20.0	23.0	18.7	18.7	20.1	19.2	21.1	23.8
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
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 (FY2020 and Long-term Outlook)

Electricity sales volume (FY2020 Outlook)

(Unit：million kWh, %)

	FY2019 Results	FY2020 Forecasts	YoY Rate of Change
Lighting	2,946	2,880	-2.2
Power	4,370	4,347	-0.5
Total	7,316	7,227	-1.2

* At this time, the impact due to spread of the novel coronavirus is not considering because it is unclear.

(Lighting)

Demand for lighting is expected to be lower year-on-year due to the impact to customers switching to other suppliers. (YoY growth:-2.2%)

(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:-0.5%)

(Total)

As explained above, the total electricity sales volume is expected to be 7,227 million kWh, short of the previous year. (YoY growth:-1.2%)

Electricity sales volume (Long-term Outlook)

(Unit：million kWh, %)

	FY2008 Results	FY2018 Results	FY2029 Forecasts	2008-2018 Annual average growth rate	2018-2029 Annual average growth rate
Lighting	2,887	2,960	2,824	0.3 (0.2*)	-0.4 (-0.3*)
Power	4,589	4,493	3,819	-0.2 (-0.2*)	-1.5 (-1.3*)
Total	7,476	7,453	6,643	-0.0 (-0.1*)	-1.0 (-0.9*)

* 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:-0.3%*)

(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:-1.3%*)

(Total)

As explained above, the total electricity sales volume is expected to be 6,643 million kWh, marking a moderate increase. (Annual average growth:-0.9%*)

Capital Expenditures Plan (Electric Business)

- Capital investment in FY 2020 is expected to be around 40 billion yen due to the aging of power sources and an increase in the construction and replacement of power distribution facilities.
- 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		2017 Results	2017 (Plan)	2018 Results	2018 (Plan)	2019 Results	2019 (Plan)	2020 (Plan)
Power sources		34	(60)	26	(41)	63	(67)	(115)
Supply facilities	Transmission	39	(57)	57	(88)	63	(87)	(86)
	Transformation	21	(26)	23	(32)	39	(59)	(76)
	Distribution	59	(74)	61	(79)	48	(77)	(106)
	Subtotal	120	(157)	141	(200)	151	(224)	(267)
Others		14	(17)	5	(7)	16	(6)	(26)
Total		168	(235)	173	(247)	230	(297)	(408)

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

[Major Projects in Capital Investments in FY 2020]

Power sources: Miyako Daini Power Plant No.6,7

Kin Thermal Power Plant Wood biomass supply system

Makiminato Gas engine Power Plant

Supply facilities: Responding to increasing demand

Replacement of aging facilities

Responding to shortened power outage times

Responding to supply reliability

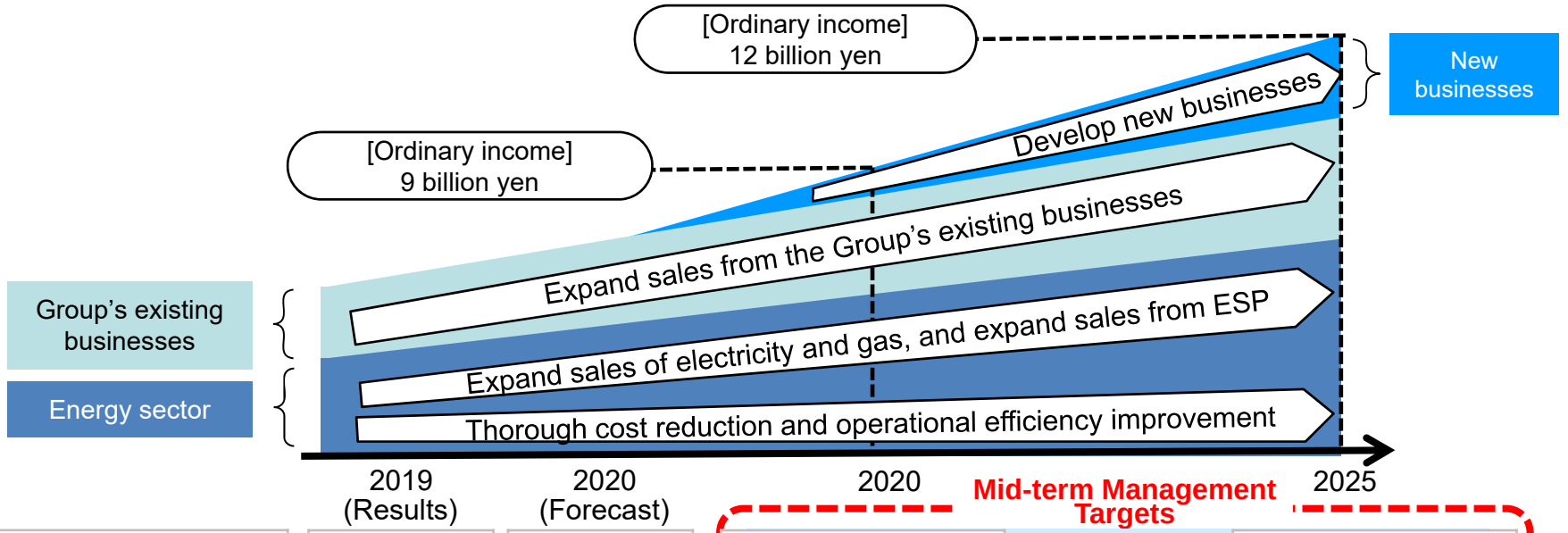
Business environment and challenges

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	■ 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	■ 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.”



		2019 (Results)	2020 (Forecast)	2020		2025
Consolidated	Ordinary income	9.3billion yen	9.3billion yen	**9 billion yen** or more	**Financial targets**	**12 billion yen** or more
	ROE	4.4%	4.5%	**4%** or greater		**5%** or greater
	Capital adequency ratio	37.7%	36.7%	Maintaining the **30%** mark		Maintaining the **30%** mark
Amount of sales *1	Electricity	Approx. 140GWh	Approx. 173GWh	**155GWh**	**Key numerical targets (1)**	**330GWh**
	Gas *2	Approx. 12,000t	Approx. 13,500t	**13,500t**		**30,000t**
Sales from outside the Group *3		12.6billion yen	13.7billion 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

Initiatives to Achieve Financial Targets

- In addition to the consideration and initiatives for measures set forth in the Mid-Term Management Plan for each division, the Strategy Promotion Task Force was established in May 2019 to conduct cross-divisional studies.
- In the future, it will accelerate consideration for the achievement of the following measures and implement them in succession.

Expanding the top line of sales

Measures to expand electricity sales and prevent switching to others

- ✓ **Strengthen marketing to customers who have switched**
- ✓ **Introducing the member site and point services**
- ✓ **Promoting all-electric and expanding sales channels**
- ✓ Strengthening value-added services for corporations

Measures to expand gas supply and ESP businesses

- ✓ **Developing energy supply areas**
- ✓ **Development of demand along the route by laying gas pipelines**
- ✓ Bundled sales of electricity and gas

Planning a real estate business strategy

- ✓ Participating in urban development; Returned former U.S.military base sites
- ✓ Participating in PPP/PFI projects in the prefecture
- ✓ Effective using real estate owned

LNG utilization measures

- ✓ **Changing remote island power generation fuels to LNG**
- ✓ Developing LNG bunkering business

Utilization of distributed power sources

- ✓ **Acquiring VPP technology in remote islands**
- ✓ **Developing post-FIT-related services**
- ✓ Developing third-party solar ownership model

Aggressive rationalization and infrastructure development

Aggressive efficiency improvement

- ✓ **Reviewing facility patrols and inspection cycles**
- ✓ **Fundamentally reviewing branch and sales office operations (substitution, consolidation and abolition)**
- ✓ Consideration about the medium- to long-term composition of power supply

Developing infrastructure

- ✓ **Introducing of power plant IoT infrastructure**
- ✓ **Promoting digital transformation**

* **Underline: Execution phase**

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 2019, the "au Denki" service was launched, which combines the electricity of Okinawa Electric Power Company, Inc. with the communication service, of Okinawa Cellular Telephone Company. ■ Marketing for the electric appliance leasing service "Rikka Denka Lease" started in December 2019. ■ 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

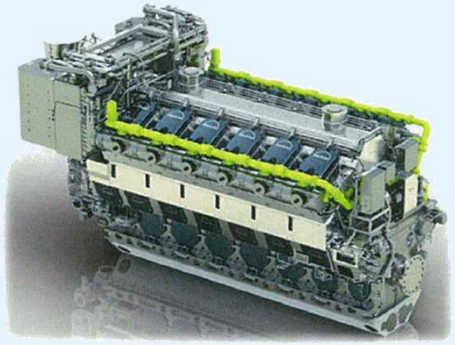
Strengthen a autonomous maintenance capability through IoT platforms, etc	■ A system was introduced at the Yoshinoura Thermal Power Plant to support the visualization of operating conditions and data analysis through the long-term storage and centralized management of operating data of power generation facilities.
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.

Introduction of LNG to Remote Islands

- In order to reduce CO2 emissions and improve energy security, we are considering the use of LNG in addition to conventional heavy oil for remote island power plants.
- A dual fuel engine that can use both heavy oil and LNG will be introduced at Miyako Island in FY2021.
- LNG transportation scheme will be established after comprehensively considering operational issues and economic efficiency.

Miyako dual fuel engine overview

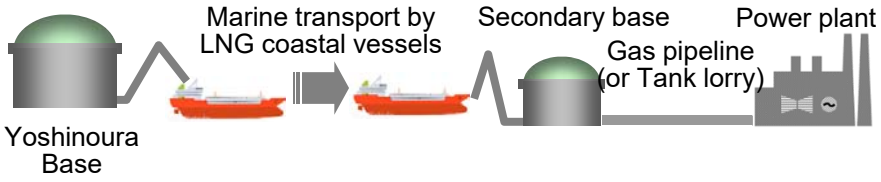
○ Miyako Daini Power Plant No.6,7
Power generation capacity: 12,000 kW x 2
Scheduled start of operation: Within FY 2021



Engine capable of discretionally switching between C-heavy oil and natural gas

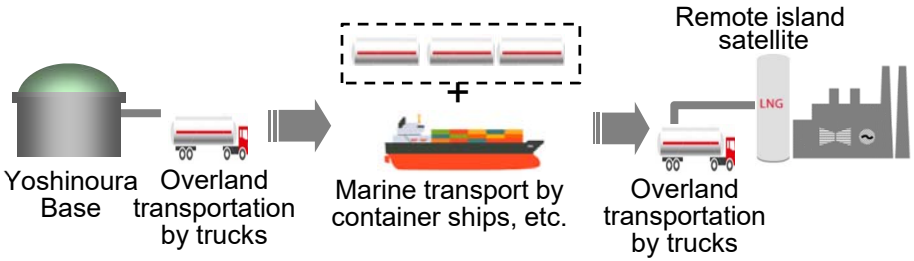
LNG transportation scheme to remote islands (under consideration)

[Coastal Shipping Scheme (Image)]



or

[ISO Tank Container Transportation Scheme (Image)]



Responses to the Spread of the novel coronavirus Infections (1/3)

■ We have established the "Novel Coronavirus Infection Risk Management Headquarters" to ensure a stable supply of electricity and gas, while taking thorough measures to prevent infection among employees.

Thorough implementation of infection prevention measures

- Thorough handwashing and cough etiquette
- Wear a mask at all times
- Physical division of office
- Working from home (telework)
- Working for designated hours (Shifting of start time)
- Working under a two-group system, etc.

Responses at Power Plant, etc.

All possible measures have been taken to ensure business continuity in the event that there is an infected person at Power Plant or Load Dispatching Center that is vital for stable power supply.

- Disinfection with alcohol at the time of entry and shift
- Listing of employees with work experience at various locations as substitute personnel

Responses to the Spread of the novel coronavirus Infections (2/3)

■ As support measures for customers, Implementing special measures to extend the due date for payment of electricity charges.

Press Release

地域とともに、地域のために
沖縄電力

2020年3月19日
沖縄電力株式会社

新型コロナウイルス感染症対策に係る電気料金の特別措置について

現在、新型コロナウイルス感染症の影響により、一時的に公共料金の支払いが困難となるお客さまについて、経済産業省から電気料金の支払期日の延長を要請されたことを受け、当社は、下記の特別措置を講ずることとし、本日、「特定小売供給約款以外の供給条件」、「離島供給約款以外の供給条件」および「託送供給等約款以外の供給条件」を経済産業大臣に認可・承認申請し、同日、認可・承認を受けましたのでお知らせします。

Press Release（March.19.2020）

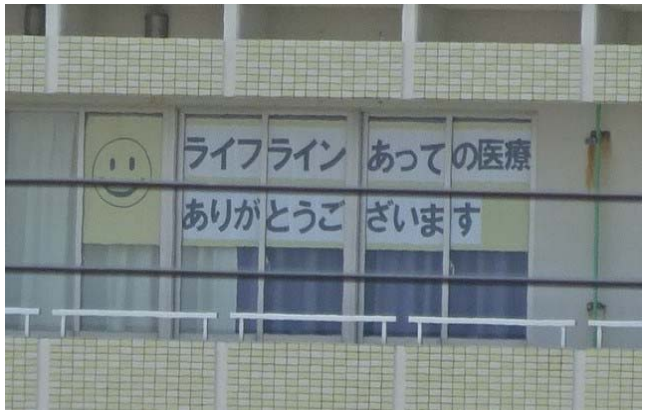
Responses to the Spread of the novel coronavirus Infections (3/3)

■ OEPC Group has made donations to support medical professionals who are striving to prevent the spread of the novel coronavirus infections and treat them, as well as economic organizations that perform various functions as consultation desks for companies in the prefecture.

- Donation recipients and amounts
  - Okinawa Medical Association
    100 million yen
  - Okinawa Chamber of Commerce and Industry Association　10 million yen
  - Okinawa Federation of Societies of Commerce and Industry　10 million yen
- Donor：OEPC Group（Momosoekai）
  15 companies

Okinawa Medical Association

“Light It Blue”
(Kin Thermal Power Plant)



A message of gratitude to medical professionals and a message in return
(Left : Yaeyama Branch、Right : Ishigaki jima Tokushukai Hospital)

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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