Management Topics

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

May 2023

The Okinawa Electric Power Company, Inc.

Financial Results for FY2022 (Year-on-Year Comparison)

(Unit: million yen, X)

	Consolidated (A)			Non-consolidated (B)			(A) / (B)	
	FY2021 (Results)	FY2022 (Results)	Rate of Change	FY2021 (Results)	FY2022 (Results)	Rate of Change	FY2021 (Results)	FY2022 (Results)
Sales	176,232	223,517	+26.8%	168,078	213,383	+27.0%	1.05	1.05
Operating income	2,810	-48,406	–	465	-50,582	–	6.04	–
Ordinary income	2,717	-48,799	–	500	-50,245	–	5.43	–
Net income	1,959 *	-45,457 *	–	694	-45,934	–	2.82	–

* Net income attributable to owners of parent.

【Revenue】

- Increase in Sold power to other suppliers and income from the Fuel cost adjustment system in Electric business.

【Expenditure】

- Increase in Fuel costs and Purchased power costs due to soaring fuel prices in Electric business.

【Profit】

- Profit deteriorated significantly in Electric business because some of the increased costs associated with soaring fuel prices have not been reflected in Electricity sales.

Annual Outlook Summary FY2023

(Unit: million yen, X)

	Consolidated(A)			Non-consolidated(B)			(A) / (B)	
	FY2022 (Results)	FY2023 (Forecasts)	Rate of Change	FY2022 (Results)	FY2023 (Forecasts)	Rate of Change	FY2022 (Results)	FY2023 (Forecasts)
Sales	223,517	undecided	–	213,383	undecided	–	1.05	–
Operating income	-48,406	undecided	–	-50,582	undecided	–	–	–
Ordinary income	-48,799	undecided	–	-50,245	undecided	–	–	–
Net income	-45,457*	undecided	–	-45,934	undecided	–	–	–

* Net income attributable to owners of parent.

The forecast for FY2023 is “undecided” because we are in the process of applying for raising regulated electricity rates, and it is difficult to reasonably calculate both sales and profits at this time.

It will be disclosed promptly when the reliable calculation of financial forecast becomes possible.

【Dividends】

The dividends for FY2023 is "undecided" due to the uncertain factors including profits after price revision.

It will be disclosed promptly when the dividends forecast, based on the financial outlook and other related factors, becomes possible.

Regarding Increase in Electricity Rates

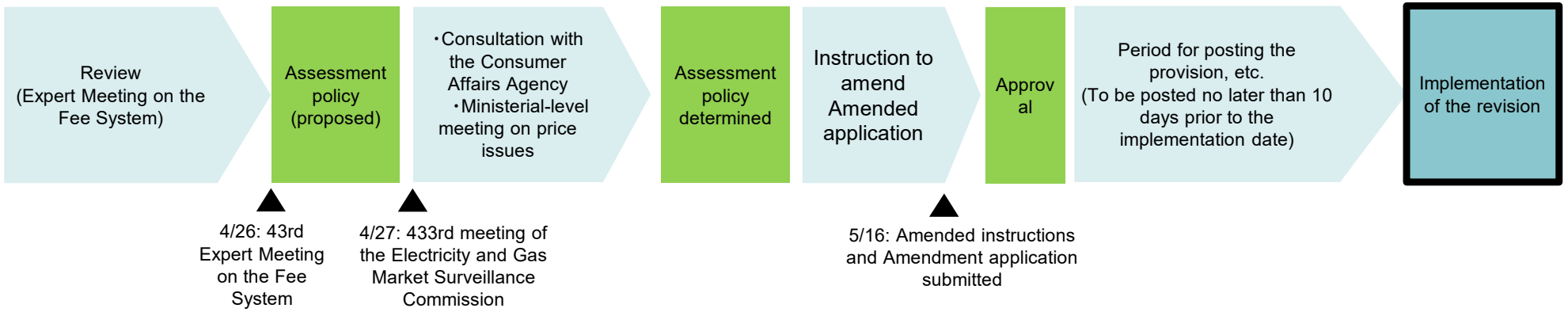
- On May 16, 2023, the Company submitted an amended application for approval of a regulated rate increase filed on November 28, 2022, reflecting revised instructions in response to the assessment policy presented by the Ministry of Economy, Trade and Industry following a rate review and other steps (scheduled for implementation on June 1, 2023).
- With regards to free rates, electricity rates were revised effective on April 1, 2023.

■ Regarding increase in electricity rates [Submitted an amended application on May 16, 2023, scheduled for implementation on June 1, 2023 ; Implemented for free rates effective on April 1]

- In order to continue the stable supply of electricity, its primary mission, the Company filed an application on November 28, 2022 for approval of an increase in the regulated rates (revision rate: 43.8%) in order to raise all electricity rates, including the regulated rates, from April 2023. Reflecting the revised instructions regarding the assessment policy provided by METI after the rate review, we submitted an amended application on May 16, 2023 with an implementation date of June 1, 2023 (revision rate: 43.4%).
  Free rates were revised effective in April 2023*.
- The average model for metered rates (monthly usage of 260 kWh) will increase by approximately 33.3% (39.3% for the approved application) when the fuel cost adjustment amount for June is reflected. After the government's drastic reduction measures, the price increase is approximately 11.4%.

* The unit prices of free rates that were applicable at the time of the revisions to the rates on April 1 reflect wheeling fees pursuant to the wheeling services provision that was approved on January 27, 2023 in the unit prices announced on November 28, 2022. The unit price of free rates will be revised based on the corrected cost of the regulated sector.

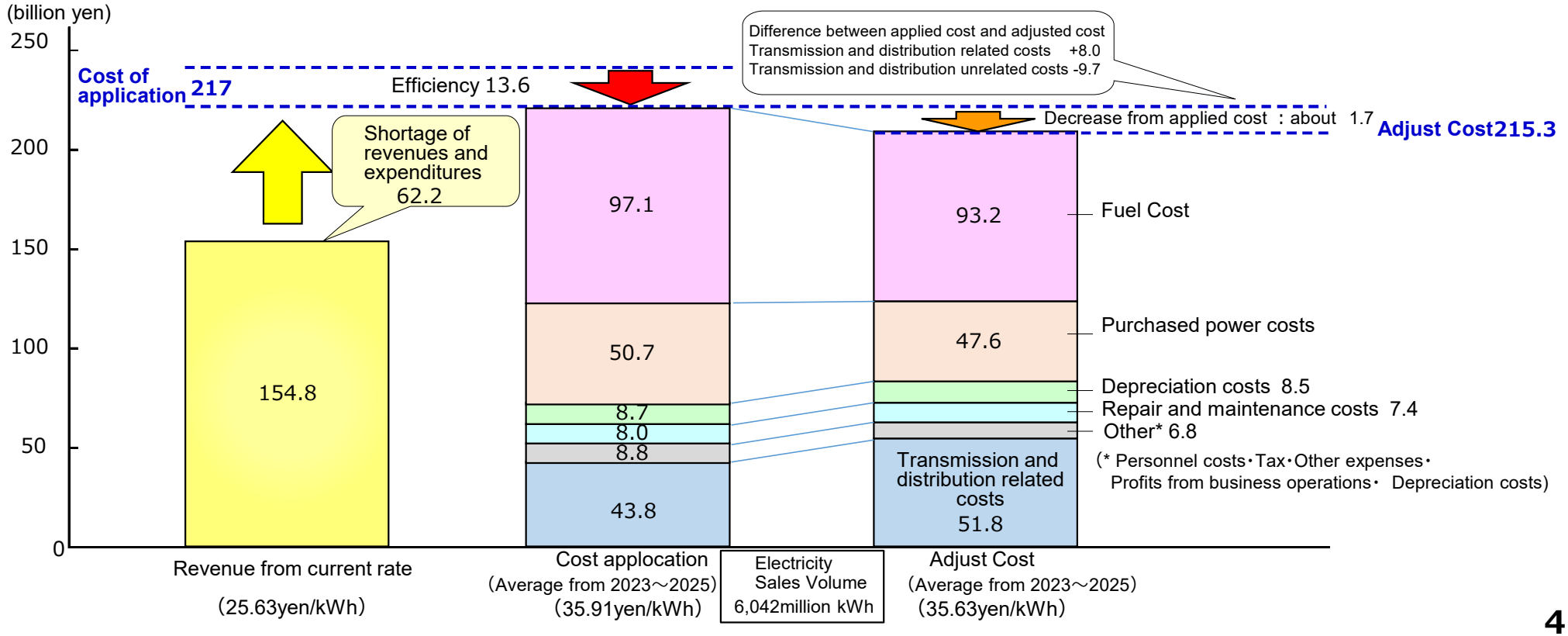
Expected process up to the application for approval (illustration)



Summary of Amendment to Electricity Rate Increase Application

- In November 2022, we requested a 43.8% price increase for customers in the regulated sector.
- Subsequently, following the Rate System Expert Meeting, the Consumer Commission, public hearings, and the relevant ministerial meeting on price issues, on May 16, 2023, the Ministry of Economy, Trade and Industry (METI) presented its assessment policy regarding application costs and gave us corrective instructions.
- Reflecting this amended instruction, we submitted an amendment on May 16, 2023, requesting a 43.4% price increase for customers in the regulated sector, effective June 1, 2023.
- Based on the average model of households, etc. (monthly usage of 260 kWh), we had requested a 39.3% price increase at the time of application for approval, and in addition to the amended instructions, the price increase will be 33.3% when fuel cost adjustments in June of this year are reflected.
- By reflecting the increase of 8.0 billion yen in transmission and distribution related costs associated with the revision of toll rates in April of this year, together with the 9.7 billion yen reduction based on the amended instructions, the adjusted cost is 215.3 billion yen, a reduction of 1.7 billion yen compared to the cost applied for.

Comparison of applied and adjusted costs to "revenues from rates before increases" (Average from FY2023 to FY2025)

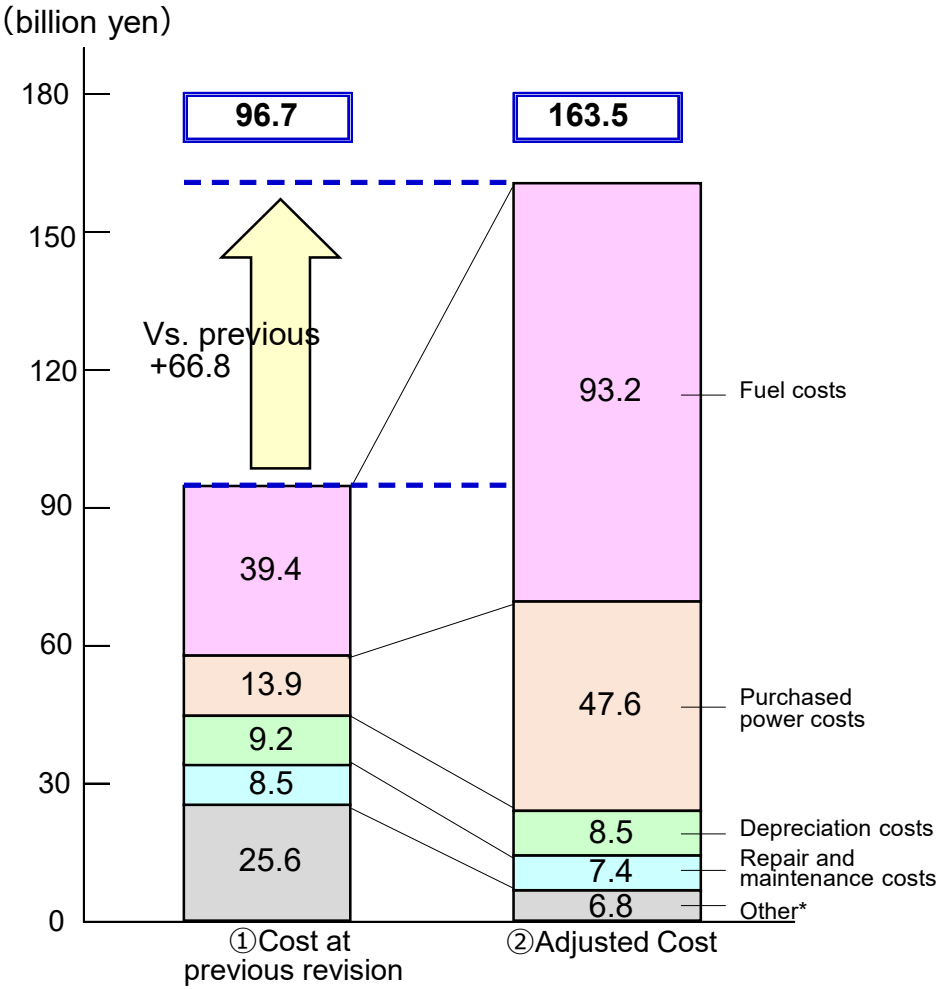


Summary of Adjusted Cost (Comparison with Previous Revision)

- The adjusted cost (FY2023 - FY2025) reflects cost reductions of 23.3 billion yen through maximum management efficiency improvements, including the amended instructions, and is lower than the cost of the previous revision (FY 2008) in all items except fuel costs, electricity purchased from other companies, business compensation, and taxes and public charges.
- However, due to higher fuel prices and an increase in the amount of electricity purchased from renewable energy sources, the total amount of adjusted costs increased by 66.8 billion yen compared to the previous revision.

● Breakdown of costs (billion yen)

	①Cost at previous revision【FY2008】	②Adjusted Cost【Average from FY2023 to FY2025】	Change (②－①)
Personnel costs	8.7	6.3	-2.4
Fuel costs	39.4	93.2	+53.7
Repair and maintenance costs	8.5	7.4	-1.1
Capital Expenses	14.4	14.7	+0.3
Depreciation costs	9.2	8.5	-0.7
Profits from business operations	5.2	6.2	+0.9
Purchased power costs	13.9	47.6	+33.7
Sold power to other suppliers	－	-14.2	-14.2
Tax and other public charges	2.3	2.6	+0.3
Other expenses	10.4	6.8	-3.7
Deducted revenue	-1.1	-0.8	+0.3
Total cost	96.7	163.5	+66.8



* Personnel costs・Tax・Other expenses・Profits from business operations・Depreciation costs

Reference： Comparison of Assumptions and Supply/Demand Plan

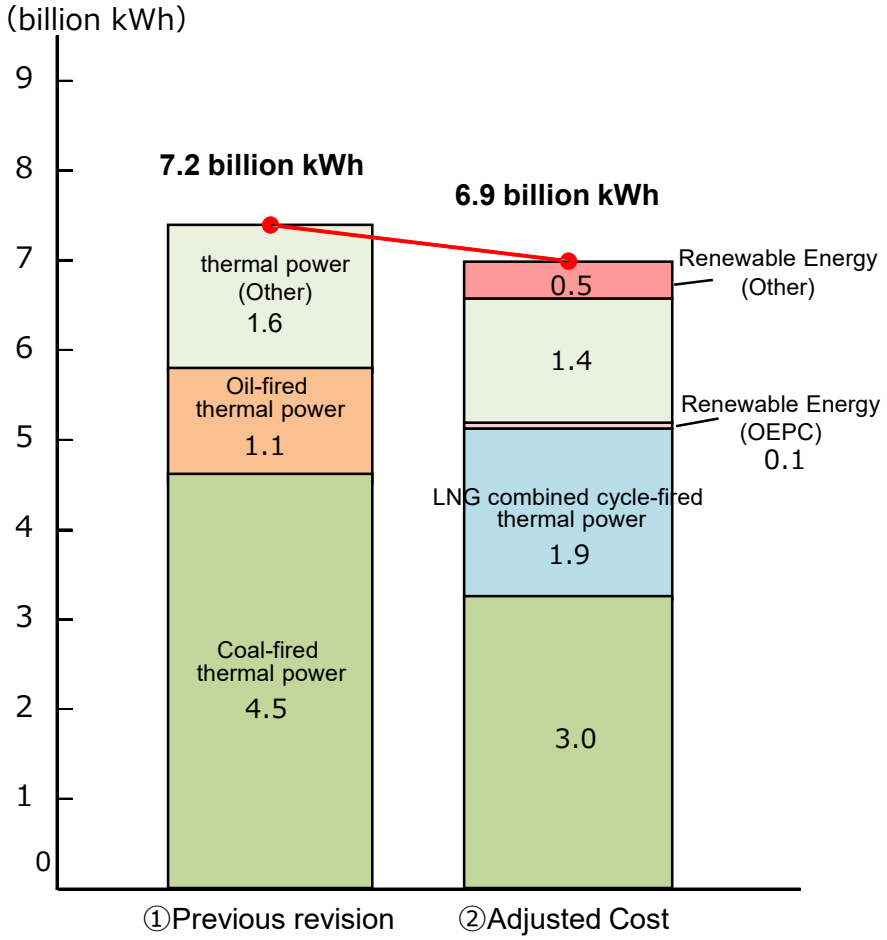
- Electricity sales volume has decreased due to switching to other retail electricity providers.
- Exchange rates and fuel prices have been rising, especially coal prices have increased significantly.
- The volume of electricity generated and received has decreased due to the introduction of LNG-fired thermal power generation and an increase in renewable energy sources, resulting in a decrease in the volume of electricity generated by coal machines.

○Assumptions

		①Cost at previous revision【FY2008】	②Adjusted Cost【Average from FY2023 to FY2025】	Change (②－①)
Assumed electric power	(million kWh)	6,848	6,042 (6,042)	-806 (-806)
Exchange rate	(yen/$)	107.00	138.77 (137.06)	+31.77 (+30.06)
Crude oil	(yen/kl)	62,735	82,572 (97,466)	+19,837 (+34,731)
Coal	(yen/t)	8,873	53,189 (51,875)	+44,316 (+43,002)
LNG	(yen/t)	–	132,509 (142,803)	+132,509 (+142,803)
Profit rate	(%)	3.00	2.79 (2.70)	-0.21 (-0.3)

- Electricity Sales Volume excludes in-house consumption.
- Figures in ( ) for "② Adjusted cost" are the figures as of the application date of November 28, 2022.
- In calculating the rate of business rewards, bond yields and return on equity for all industries used in the calculation of the rate of business rewards are based on data for the 7-year period from FY2015 to FY2021, and business management risk (beta value) is based on data for the 10-year period from November 1, 2012 to October 31, 2022 The data for the business management risk (beta) is for the 10-year period from November 1, 2012 to October 31, 2022

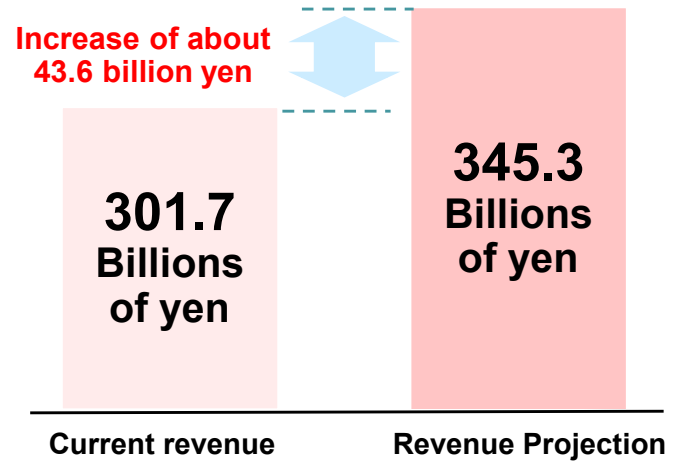
○Comparison of supply and demand plan



Review of wheeling fees based on the new wheeling fee system

- In April 2023, a new wheeling fee system, the Revenue Cap System, was introduced with the aim to make renewable energy the mainstay and strengthen resilience by helping general electricity transmission and distribution utilities to balance necessary investments with improved cost efficiency.
- As a response to this system, based on the business plan for FY2023 to 2027 that was formulated in accordance with national guidelines, we calculated projected revenue in relation to wheeling services (the “Revenue Projection” hereinbelow), which is the cost required to operate a general electricity transmission and distribution business. And, in light of the results of verification at the Expert Meeting on the Fee System of the Electricity and Gas Market Surveillance Commission, we applied to the Minister of Economy, Trade and Industry for approval and received an approval as applied.
- In addition, we received an approval for the wheeling service provision based on the Revenue Projection to implement new wheeling fees in April 2023.
- We will continue to contribute to the development of local communities by further strengthening stable supply of electricity and working toward carbon neutrality.

Comparison of current revenue* and Revenue Projection for the five-year total



* Revenue when unit price for wheeling fees + unit price for remote islands universal service adjustment at the time of submission of the Revenue Projection remain unchanged

Unit price for standard-connection transmission service* (including tax)

		Current revenue unit price	New price	Difference
Extra-high voltage	Basic charge (Yen/kW)	335.50	469.70	+134.20
	Electricity charge (yen/kWh)	3.26	3.53	+0.27
High voltage	Basic charge (Yen/kW)	489.50	710.60	+221.10
	Electricity charge (yen/kWh)	4.64	4.91	+0.27
Low voltage (Power)	Basic charge (Yen/kW)	720.50	795.30	+74.80
	Electricity charge (yen/kWh)	7.90	8.08	+0.18
Low voltage (Lighting)	Basic charge (Yen/kW)	236.50	303.60	+67.10
	Electricity charge (yen/kWh)	10.51	11.83	+1.32

* Includes unit price for remote islands universal service adjustment
- Current revenue unit price: 0.49 yen/kWh (for August 2022)
- New unit price: -0.08 yen/kWh (for May 2023)

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“.

2050 おきでん ZERO CHALLENGE

*Projects adopted in FY2021 and later are marked with ●

・Start of the PV-TPO Business “karE-roof”

Revision 2030

Ambitious goals CO2 ▲30% (Compared to FY2005)

2040 2050

Make Renewable Energy as Main Power Source

●Expansion of Renewable Energy

Introduction of Renewable Energy +100MW
- PV-TPO business※1 +50MW
- Large Wind Power※1 +50MW

(3.4 times by current installation)

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●Feasibility study project to develop a remote island-type model for hydrogen production and utilization in the Miyako area（NEDO）
●Feasibility study of water heat storage projects contributing to expanded introduction of renewable energy and demand response（Cabinet Office）

・Introduction of the MG Set on Hateruma Island

・Started offering Uchina CO2 free menu

●Grid Stabilization Technologies for Renewable Energy expansion

・Utilization and Advancement of Grid Stabilization Technologies using “Storage Batteries" and “Control Technologies”

●Development of the infrastructure to support the mainstreaming of Renewable Energy

・Raising demand for Electrification for Effective Use of Renewable Energy
・Building and Utilizing VPP※2 and DR※3 with DX (Digital Transformation)
・Building a disaster-resistant "Renewable Energy Micro-Grid" for local production and consumption

●Microgrid Demonstration Project in the Kurima Island Region（METI）
●Development of stabilization technology for power networks for the next generation of renewable energies to become the main source of power（NEDO）

Reducing CO2 Emissions from Thermal Power Plants

● Expanding the use of clean fuels

・Reducing CO_2 with increased consumption of LNG
・Leveraging the mobility of LNG power sources to smooth fluctuations in renewable energy output
・Consideration of introducing CO_2-free fuels (hydrogen, ammonia, etc.) and offset technologies

・Conversion to CO_2-free fuels
・Introduction of CO_2 offset technologies

● Fade-out of the inefficient thermal power plants

・Conversion of Oil to LNG, Lower carbon emission through the use of Local Biomass in Coal-fired Power Plants
・Consideration of introducing cutting-edge technologies such as next-generation thermal power

Introduction of next-generation power sources using CO_2-free fuel conversion and CO_2 offset technology in conjunction with the shutdown of existing machines

Achieve Carbon Neutrality※4

Promoting Electrification

In addition to achieving a net zero structure on the power supply side, it is essential to promote electrification on the demand side(transportation, industry, business, household), implement necessary policies, and gain financial support.

●Investigation on the development of a total system for the utilization of regional hydrogen centered on the Yoshinoura Multi Gas Turbine Power Plant in the Okinawa area（NEDO）
●Hydrogen supply chain study in Okinawa (Cabinet Office)
●Project for the utilization of hydrogen toward the realization of a CN society on remote islands (Prefecture)
●Investigation Project for Local Production and Consumption of Clean Fuel Ammonia（Cabinet Office）

●Project for building a new industrial base based on locally produced and consumed woody biomass resources (Prefecture)

Initiatives to Achieve Carbon Neutrality: Examples of Initiatives

Example: Development of PV-TPO Business

- We have entered into 21 commercial service contracts with total output of 1,675 kW.
- Of these, we have started operation for 2 contracts with output of 105 kW.

Urasoe Municipal Minatogawa Junior High School
- Photovoltaic power generation facilities: 65kW
- Storage battery: 13.5kWh
- Electricity supply by photovoltaic: 17% of annual electricity consumption
- CO2 emissions: 73 tons/year (equivalent to 8,332 cedar trees)

Nago Mirai Building 2. （data center）
- Photovoltaic power generation facilities: 80kW
- CO2 emissions: 129 tons/year

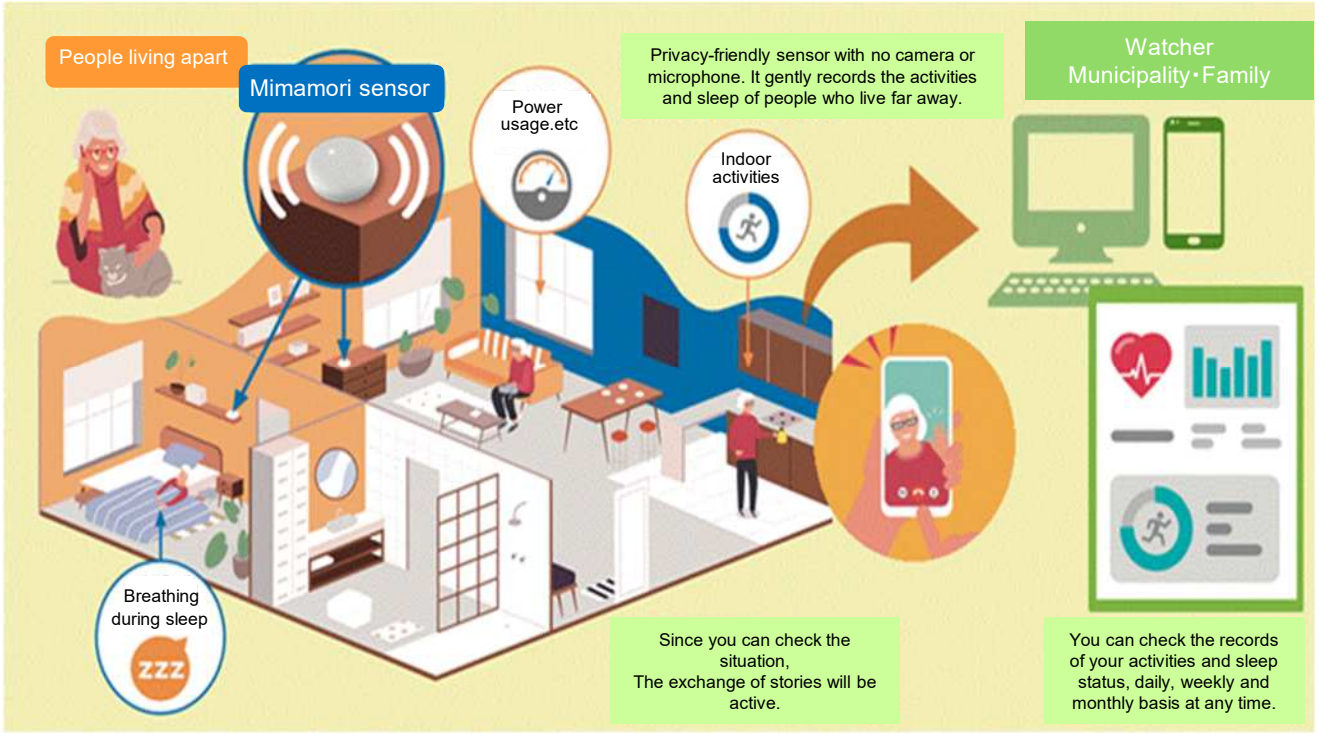
Ryukai Logistics CO.LTD.
- Photovoltaic power generation facilities: 220kW
- CO2 emissions: 356 tons/year

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.
- 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.



Covers 62% of single-person households aged 65 and over living in the prefecture in 12 municipalities.

Initiatives on the Business Bases (Example: Introduction of Zero Trust Environment)

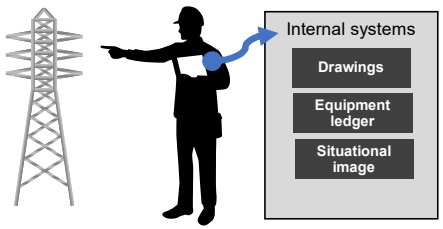
- Introduced the "Zero Trust Environment," an information infrastructure that will strengthen our business foundation.
- Through the Zero Trust Environment, we will further improve operational efficiency internally and externally, accelerate the creation of new value-added services, and promote a shift to a challenging mindset and speedy management.

Introduction of Zero Trust Environment, information infrastructure that will strengthen our business foundation

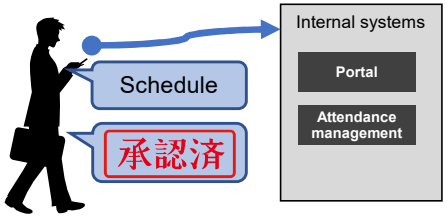
- Zero trust enables comfortable business working and the use of cloud, and is expected to improve operational efficiency and strengthen the business foundation of the entire company.

Efficient and comfortable working inside and outside the Company

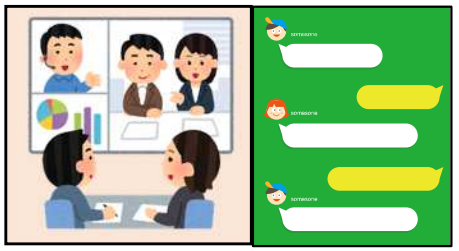
Smartphones and tablets can also be used to check information on equipment and others in internal systems from the field at any time



On the go, you can check your schedule on your smartphone and proceed with electronic approval



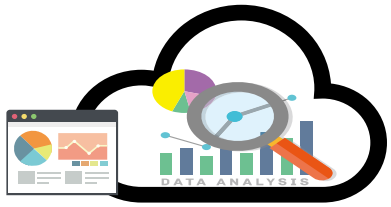
Employees in remote locations can communicate smoothly through web-based meetings, etc.



We will accelerate <u>further improvement in operational efficiency both internally and externally</u>, and the <u>creation of new values and services</u>.

Use of cloud

- **Provide secure, flexible and quick access to cloud services that will be the mainstream in the future**
- **Facilitate the use of big data in the cloud for advanced use of data**



We will take advantage of the cloud characteristics that make it easy to introduce, expand and withdraw, and <u>promote a shift to mindset willing to take on challenges</u> and <u>speedy management</u>.