

Okinawa Financial Group Results Briefing Materials



November 2021

Create Value & Innovation

 Okinawa Financial Group

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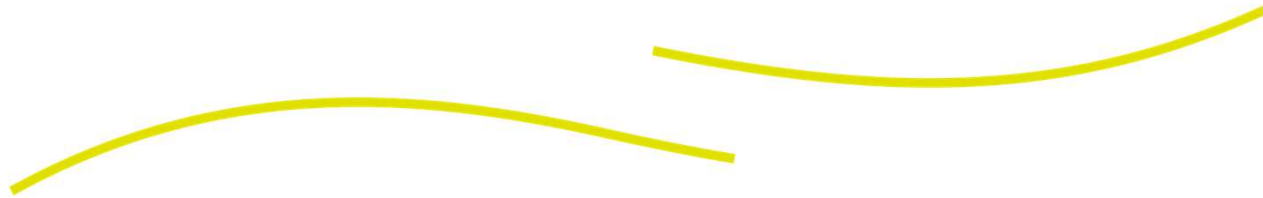
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Performance Summary [Bank (Consolidated)]



(1) The Bank of Okinawa Business Results for FY2021 1H

Bank (Consolidated)

- Net income attributable to owners of the parent was ¥1.1 billion
- Ordinary income increased (increased revenue), mainly due to an increase in fees and commissions and an increase in net gain on trading securities transactions, despite decreases in interest on loans and discounts and gain on sale of bonds.
- Ordinary expenses increased, mainly due to an increase in provision of general allowance for possible loan losses, despite a decrease in loss on sale of bonds. This exceeded the increase in ordinary income, and ordinary profit decreased (decreased earnings)

FY2021 1H Business Performance

(¥ billion)	Consolidated	Non-consolidated
Ordinary Income	25.2	18.2
Ordinary Profit	2.8	2.7
Net Income	1.1	1.3

(2) Outline of Results

Bank (Consolidated)

Bank Results for FY2021 1H on a Consolidated Basis

[Consolidated]	FY20 1H	FY21 1H	(¥ billion) YoY change
Ordinary income	24.5	25.2	0.7
Ordinary profit	3.5	2.8	(0.6)
Net income (*)	2.1	1.1	(0.9)

* Net income is net income attributable to owners of the parent

Bank Results for FY2021 1H on a Non-consolidated Basis

[Non-consolidated]	FY20 1H	FY21 1H	(¥ billion) YoY change
Ordinary income	17.7	18.2	0.5
Gross business profit	14.4	15.2	0.8
Interest income	13.7	14.1	0.3
Gains (losses) on cancellation of investment trusts	(0.0)	0.0	0.1
Fees and commissions	0.7	0.9	0.2
Other business profit	(0.0)	0.1	0.2
Expenses (excluding non-recurrent items)	11.0	10.9	(0.0)
Personnel expenses	4.9	5.0	0.0
Non-personnel expenses	5.0	4.9	(0.1)
Real net business profit	3.4	4.3	0.9
Business profit on core banking operations	3.6	4.3	0.7
Excluding gains (losses) on cancellation of investment trusts	3.6	4.2	0.5
Provision of general allowance for possible loan losses	0.1	0.9	0.8
Net business profit	3.2	3.3	0.0
Non-recurrent items	(0.1)	(0.6)	(0.4)
Recoveries of written-off claims	0.0	0.2	0.2
Net gains (losses) on equity securities	(0.0)	0.0	0.1
Bad debt disposal	0.3	1.1	0.8
Ordinary profit	3.1	2.7	(0.3)
Extraordinary gains (losses)	(0.0)	(0.0)	0.0
Income before income taxes	3.0	2.7	(0.3)
Total income taxes and other taxes	0.9	1.3	0.3
Net income	2.1	1.3	(0.7)

Business performance points (Non-consolidated)

Ordinary income

Increased by ¥0.5 billion year on year to ¥18.2 billion, mainly due to increases in interest and dividends on securities, interest on deposits with banks, and recoveries of written-off claims, despite a decrease in interest on loans and discounts and a decrease in gain on sale of bonds (increased revenues).

Business profit on core banking operations

Increased by ¥0.7 billion year on year to ¥4.3 billion, mainly due to increases in interest income and fees and commissions, as well as a reduction in expenses.

Ordinary profit

Decreased by ¥0.3 billion year on year to ¥2.7 billion, mainly due to an increase in credit cost (decreased earnings)

Revenues increased and earnings decreased due to the above factors.

Comparison with Business Performance Forecasts [Bank: Non-consolidated Basis]

[Non-consolidated] Comparison with Business Performance Forecasts	Target	FY21 1H	(¥ billion) Difference
Ordinary income	17.1	18.2	1.1
Business profit on core banking operations	3.3	4.3	1.0
Net business profit	3.1	3.3	0.2
Ordinary profit	2.3	2.7	0.4
Net income	1.6	1.3	(0.2)

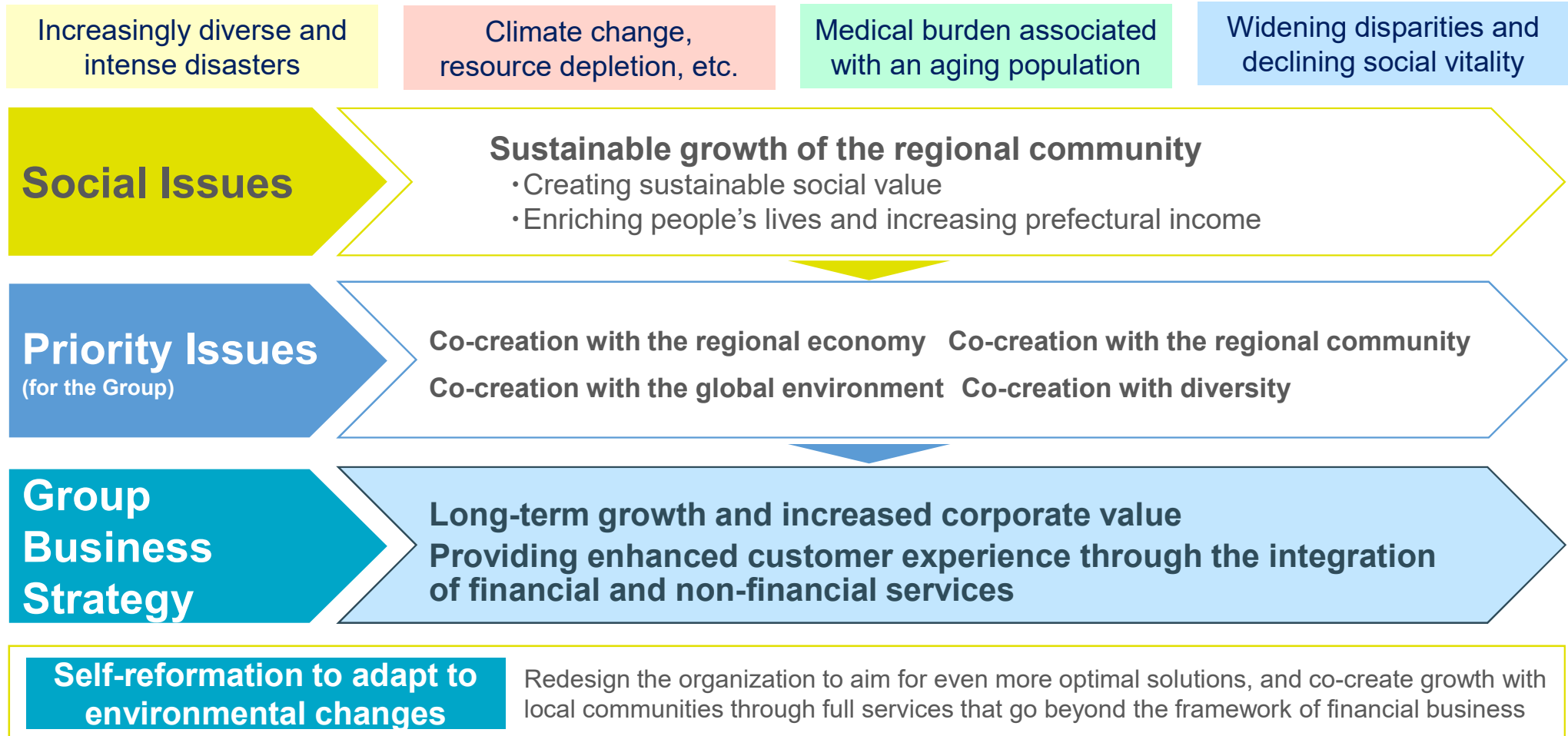
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The Establishment of the Okinawa Financial Group

(1) The Purpose of Establishing the Okinawa Financial Group



Long-term Value Creation Process



Okinawa Financial Group Shared Values (OSV)

Providing Customer Experience (CX)

As a group, we aim to work with customers to create new “success” and “joy” that they would be unable to achieve alone.
We call this co-creation “providing customer experience.”

Objectives of the Holding Company

Restructure and optimize the business portfolio to secure new profit opportunities
Restructure organizational capabilities to secure a sustainable competitive advantage

Benefits of the Transition

Planning of Group-wide strategies
Decision-making for Group-wide optimization
Centralization of Group-wide operations and optimization of management resources

* Customer experience refers to all forms of psychological and sensory value gained by customers from products, such as impression and satisfaction, in addition to the experience of discovering new products and services, and the monetary and physical value of these products and services.

* Organizational capabilities refer to key organizational and internal factors necessary for a sustainable competitive advantage. Organizational capabilities are said to include practical skills, communication skills, and specialization.

(2) Reasons and Objectives of the Transition to a Holding Company Structure (iii)

Holding Company

- We will build a structure that will keep growing in the next 10 years in order to adapt to the rapid changes in social structure.
- By creating the future together with the regional community and evolving from a “full-service financial group” into a “full-service group with finance at its core” rooted in the community, we aim to solve local issues through comprehensive services including non-financial services, thereby enhancing the value of the regional community and achieving sustainable growth for the Group.

Expansion of business areas

We will further strengthen group synergies by expanding our business areas to solve the increasingly diverse and complex issues facing the regional community

Diversification of sources of income

The environment surrounding regional financial institutions is changing rapidly, with negative interest rates and the entry of other industries, and we aim to secure future profits by changing and adapting our organizational structure.

Strengthening corporate governance

By adopting a holding company structure to strengthen group governance, we aim to achieve sustainable growth and development of the regional community and the Group.

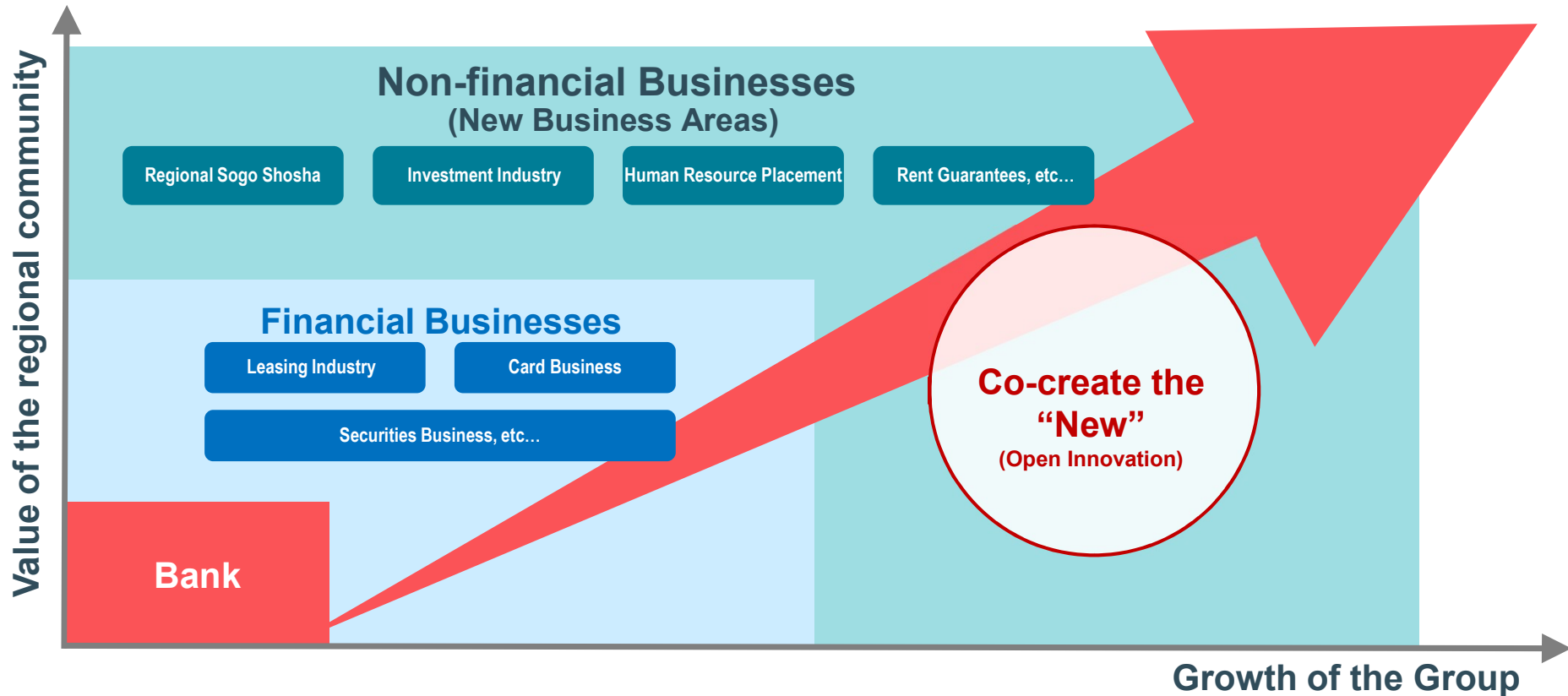
Allocation of corporate resources

We aim to make strategic investments by identifying redundant operations in the Group and allocating corporate resources.



(3) Vision

- We will aim for the integration of financial and non-financial business areas through open innovation, and further evolution towards a business model based on a market-in approach, to co-create value for the Group and the regional community, as a full-service group with finance at its core.



* Open innovation refers to initiatives to create new competitive advantages and added value by combining the internal resources of the Group and external resources such as innovative ideas, technologies and specialist expertise provided by outside companies.

(4) Management Philosophy of the Holding Company

Holding Company

- We will establish the philosophy of the Okinawa Financial Group by setting forth the mission that the Group should fulfill for its stakeholders under the group management philosophy, together with the ideal vision, and the code of conduct, which presents the values to be shared by all officers and employees.

■ Group management philosophy (mission)

Regional involvement and contribution

The mission of the Okinawa Financial Group is to [contribute to the region](#) through efforts to enhance the value of the regional community (creating sustainable social value, enriching people's lives and increasing prefectural income) based on [close involvement with the region](#) and by achieving mutual and sustainable growth.

■ Vision (ideal vision of the Group)

A full-service group with finance at its core that grows together with the region by providing customer experience through support in financial and non-financial business areas.

■ Code of conduct (values: value judgments): Three Values

Impress

We will provide new value and prioritize offering impressive and inspiring services to customers.

Create

We will create a future with passion and new ideas.

Challenge

We will cultivate intellect, build character, and take on challenges with a spirit of creativity and innovation.

(5) Brand Slogan

Holding Company

- We will establish a new brand slogan for the Okinawa Financial Group in conjunction with the transition to the holding company structure as a way to embody our commitment to Okinawa.

Brand Slogan

Create Value & Innovation

- Co-creating a “new” Okinawa experience -

Designing the future with new ideas and co-creating a “new” Okinawa experience with our customers

Concept behind the slogan

Although we make constant adaptations to changes in the business environment, our values which have been passed down since the founding of The Bank of Okinawa remain unchanged.

We want to connect with customers, meet their expectations, and make every effort to improve the value of the regional community. Based on such values, we promise to take on challenges by implementing innovative ideas.

The goal of the slogan “**Create Value & Innovation - Co-creating a “new” Okinawa experience -**,” is to co-create a “new” experience with and for our customers and the community, and to be a presence that opens up the future for local residents and companies while expanding our horizons.

President Masayasu Yamashiro

(6) Corporate Logo

Holding Company

Company Name

Okinawa Financial Group

As a full-service group with finance at its core, firmly rooted in the community, the Okinawa Financial Group will connect people, companies, and the region, co-create a “new” Okinawa experience with customers, and contribute to enhancing the value of the regional community and creating a sustainable future.

Logo



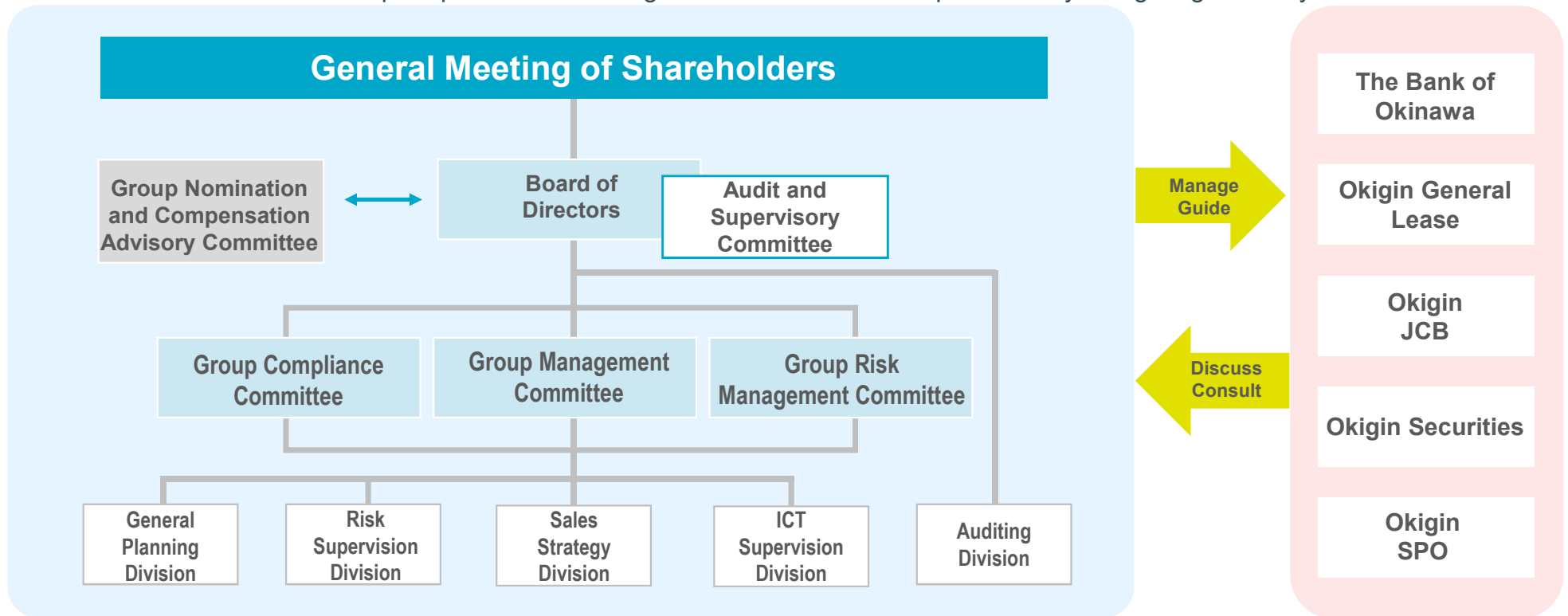
Concept behind the logo

The design of the Group logo features the initials of the Okinawa Financial Group, OFG, linked by a wave element reminiscent of Okinawa’s ocean, waves, and the winds that blow over it. It expresses the Group’s firm determination to co-create a “new” Okinawa experience with customers through the Group’s solidarity, bonds with people, companies, and the regional community, and our links with the world.

The clear, fresh blue color symbolizes our newly-formed Group, while the light, flowing design of the letters expresses the Group’s friendly yet progressive approach.

(7) Management Structure of the Holding Company

- The Holding Company will strengthen the Group's comprehensive capabilities by specializing in the management and supervision of the Group's management.
- We have adopted the form of a company with audit and supervisory committee in order to strengthen group governance. By placing the Audit and Supervisory Committee in charge of auditing and supervising business execution, we aim to achieve more transparent management, and further strengthen corporate governance.
- We will build a framework for prompt decision-making and efficient business operations by delegating authority for business execution.



(8) Group Structure (Steps for Transition to Holding Company)

Holding Company

Step 1

The Bank of Okinawa became a wholly-owned subsidiary of the Holding Company by establishing the Holding Company through a sole-share transfer by The Bank of Okinawa, effective October 1, 2021.

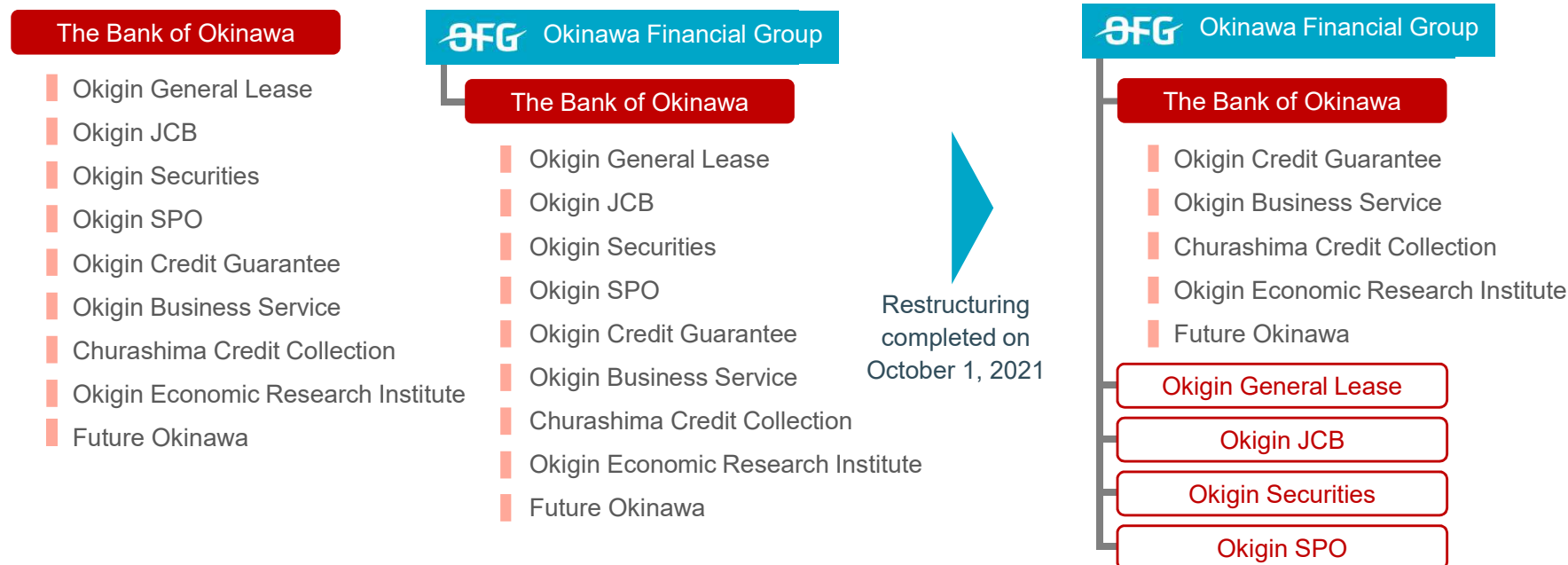
Step 2

After the establishment of the Holding Company, from the standpoint of further enhancing collaboration and synergy within the Group, The Bank of Okinawa's consolidated subsidiaries, namely The Okigin General Lease, Okigin JCB, Okigin Securities and Okigin SPO, were restructured as directly invested companies of the Holding Company, primarily through distribution in kind of all the shares held by The Bank of Okinawa to the Holding Company.

Prior to September 30

Step 1

Step 2 (completed on October 1, 2021)

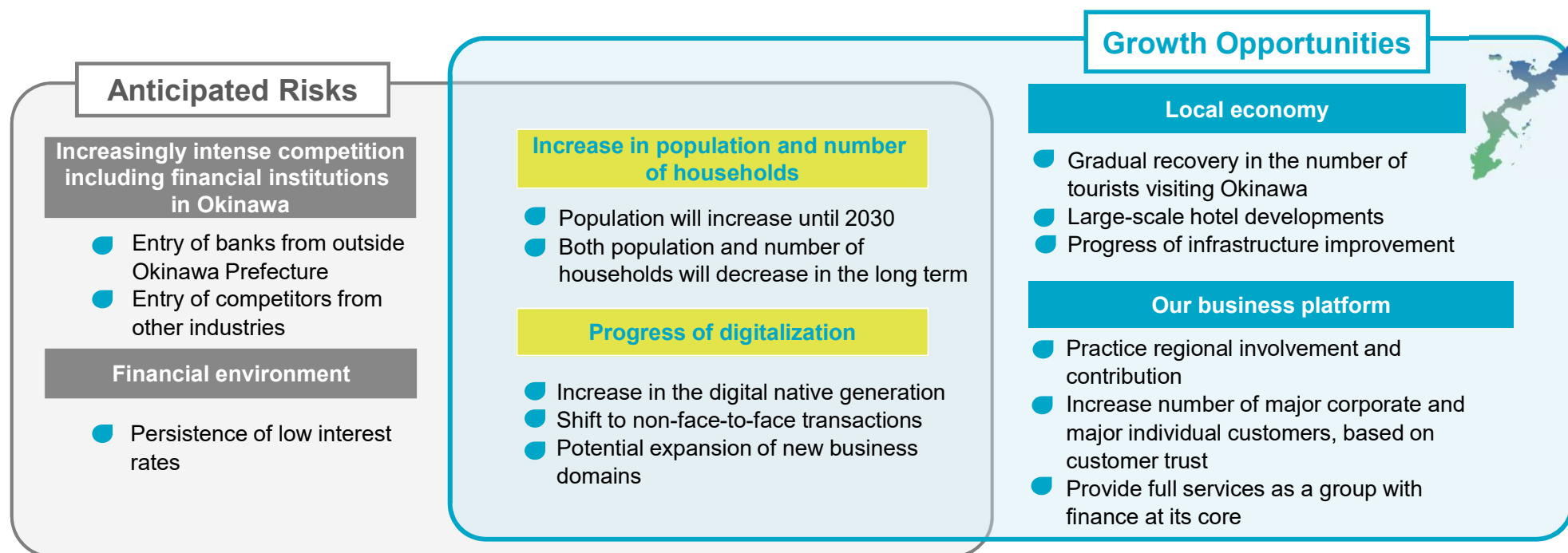


3

The 1st Medium-Term Business Plan

(1) The Group's Business Environment

- We will shift anticipated risks into growth opportunities, and strengthen our initiatives aimed at resilient sustainability management based on the SDGs, and our initiatives friendly to the global environment.



[Future Population Estimates: National Institute of Population and Social Security Research]

(Thousand people)	2015	2020	2025	2030	2035	2040
Okinawa	1,434	1,460	1,468	1,470	1,466	1,452
Japan	127,095	125,325	122,544	119,125	115,216	110,919

* Resilient refers to the strength to respond flexibly to economic downturns such as disasters and adverse business conditions, and use these as a springboard to achieve even greater growth.

(2) Basic Management Policy (i)

Holding Company










- Under our basic policy of resilient sustainability management, we will establish a management structure that considers the interests of multiple stakeholders (including shareholders, customers, employees, suppliers, the regional community, and others).



(2) Basic Management Policy (ii)

Okinawa Financial Group Sustainability Policy

The Okinawa Financial Group will aim for sustainable management to enhance the value of the regional community and economic value. In addition to our main businesses, we will engage in initiatives to address environmental issues such as climate change, and social issues such as fair trading, implementing our group management philosophy of regional involvement and contribution to achieve a sustainable regional community.

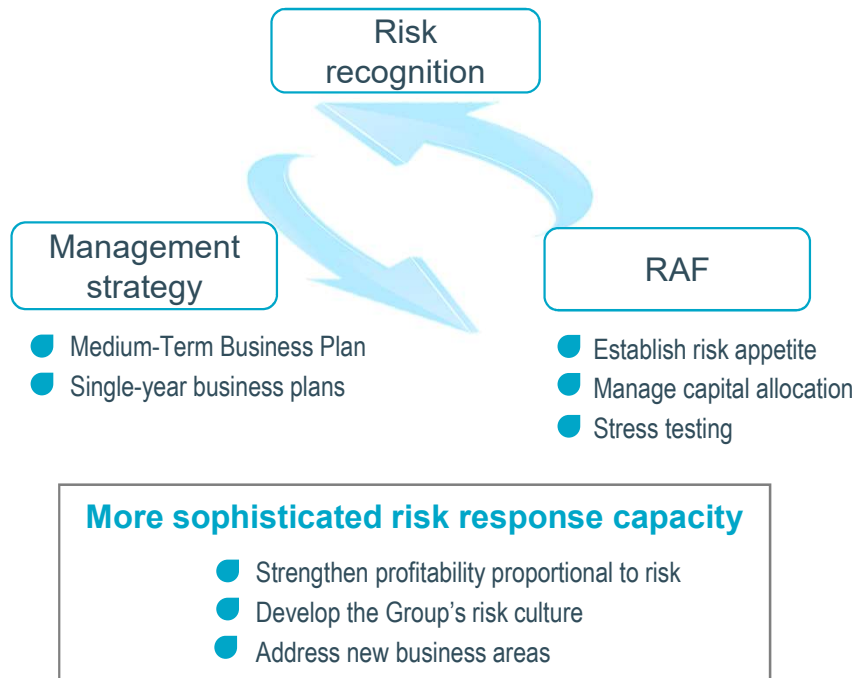
	Key Issues to Address	Relevant SDGs	Group Initiatives
<u>E</u>Environment	<ul style="list-style-type: none"> Climate change risk Global warming 	  	<ul style="list-style-type: none"> Respond to climate change Promote environmentally-friendly financial services
<u>S</u>ocial	<ul style="list-style-type: none"> Regional economic revitalization Customer business continuity Quality asset formation Healthy life expectancy, child poverty Diversity 	    	<ul style="list-style-type: none"> Provide services utilizing Group functions Business and asset succession Respond to gerontology Inclusion
<u>G</u>Governance	<ul style="list-style-type: none"> Corporate governance Compliance 		<ul style="list-style-type: none"> More sophisticated corporate governance Respond to money laundering

(2) Basic Management Policy (iii)

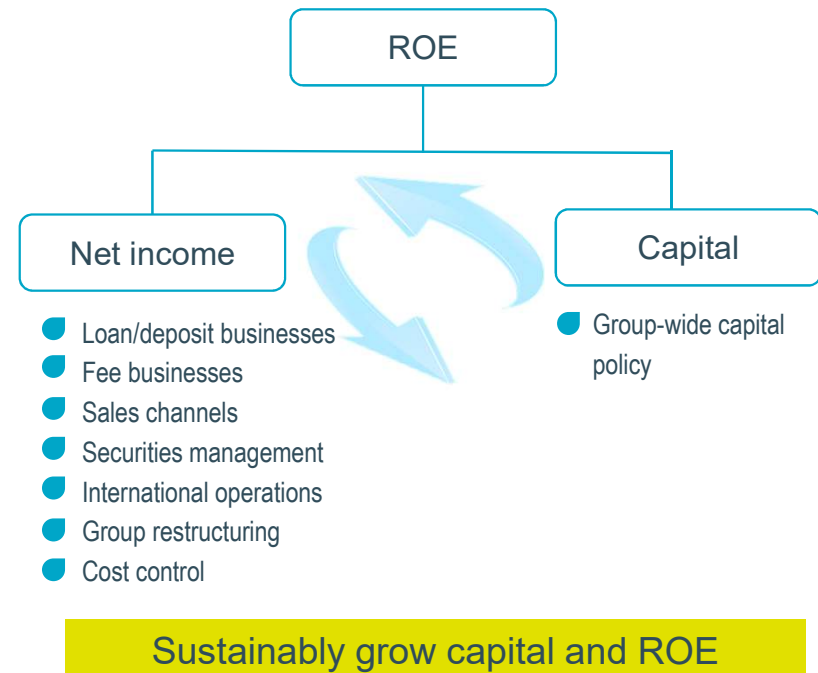
Introduction of a Risk Appetite Framework (RAF)

With future profitability forecast to decline amid expectations for a prolonged low interest rate environment, we will build a structure to secure appropriate earnings by implementing appropriate risk management, in order to achieve the challenges that face the Group: maintaining a sound level of consolidated capital, and increasing consolidated ROE. We will develop the Group's risk culture, and work towards more sophisticated risk governance based on an RAF approach.

Overview of the Risk Appetite Framework



Enhancing the Effectiveness of Risk Appetite



(3) Vision (i)

A full-service group that grows resiliently and sustainably together with the regional community, providing enhanced customer experience through the integration of financial and non-financial business areas.



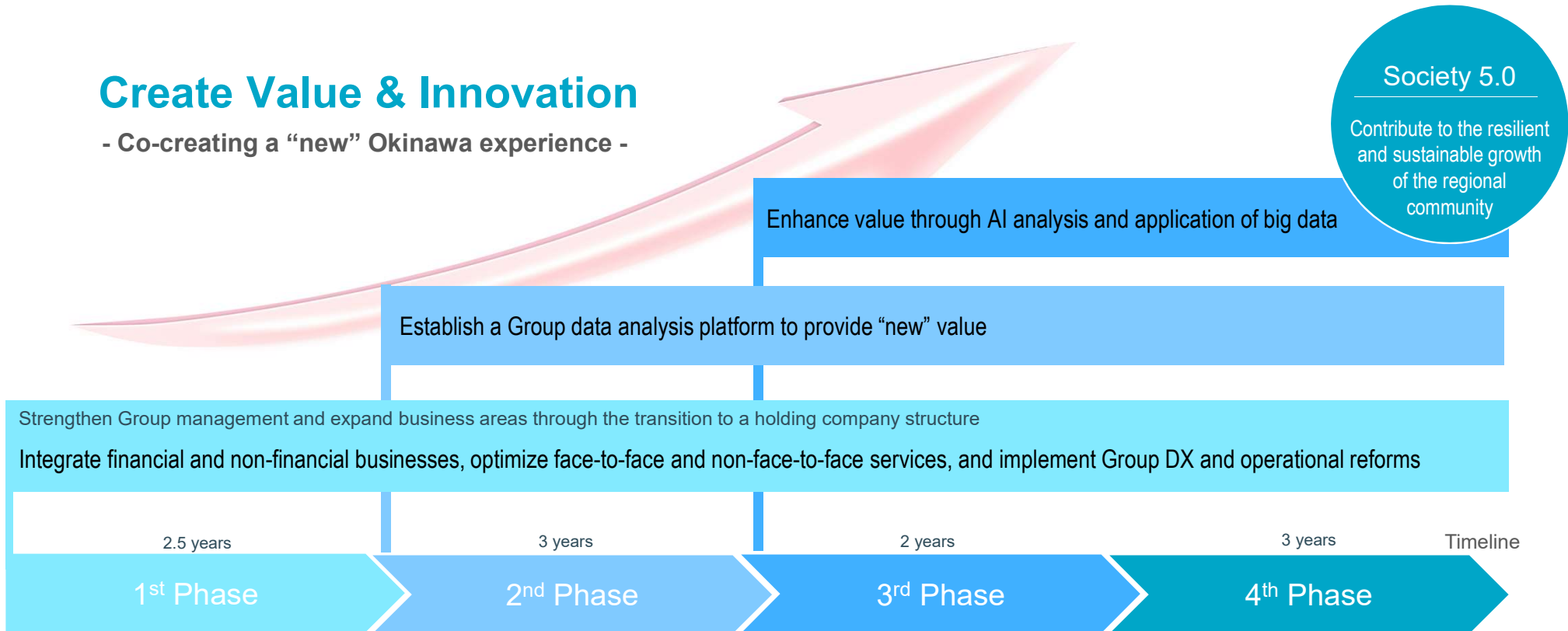
(3) Vision (ii)

Lead the region with full services utilizing advanced ICT

Realize a “new” customer experience for Okinawa, enhancing customer convenience through digital transformation utilizing ICT

Create Value & Innovation

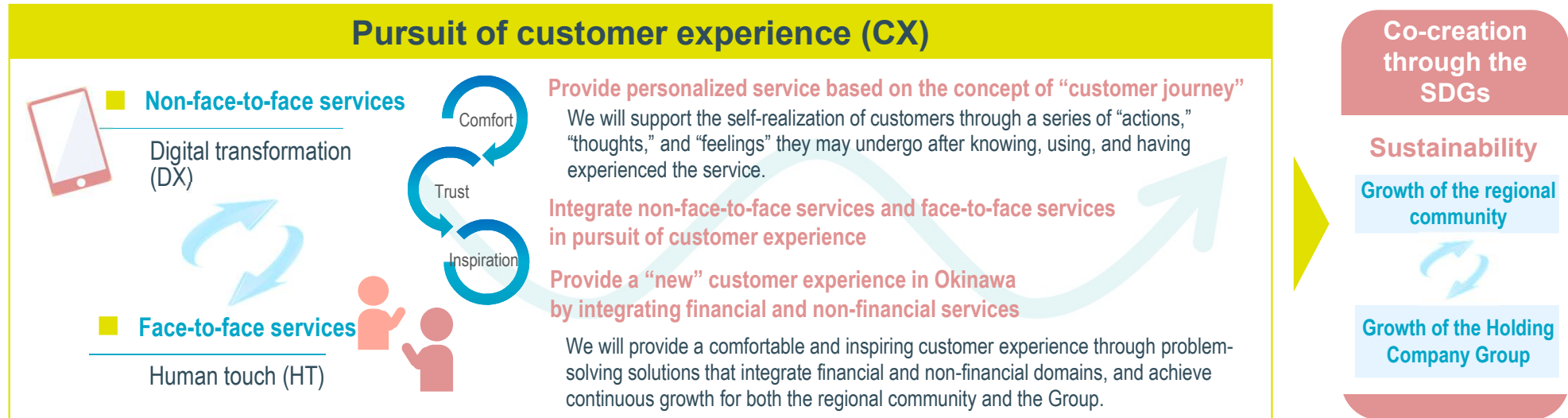
- Co-creating a “new” Okinawa experience -



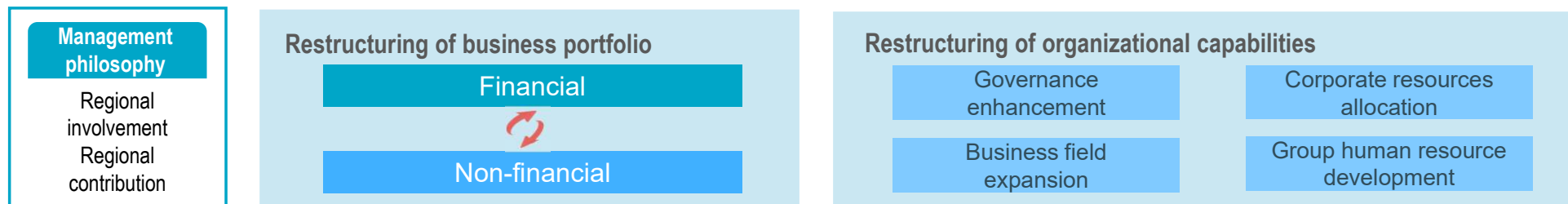
* Society 5.0 refers to the concept proposed by the Japanese Cabinet Office of a human-centered society that balances economic advancement with the resolution of social problems by a system that highly integrates cyberspace and physical space.

(4) Business Model under the Holding Company Structure (i. Base)

Drive sustainable growth in the regional community by pursuing customer experience through full services



Base of the Group strategy



* Digital transformation refers to the continuous transformation of organizations and business models through the use of data and digital technologies to fundamentally change the way value is delivered.
 * Human touch refers to high value-added face-to-face services that support a new customer experience and customer self-realization, excluding mechanical counter operations.
 * Customer journey is a concept that defines the image of the person who uses a service, analyzes their behavior, thoughts, and feelings, and captures the scenario from recognition to consideration to use in chronological order (the series of experiences is compared to a “journey”).

(4) Business Model under the Holding Company Structure (ii. New Value Creation)

Holding Company

Become a full-service group with finance at its core that leads the region through self-transformation that adapts to changes in the environment

Strengthen group management and expand business areas
Increase corporate value over the medium- to long-term by expanding group synergies

Full-service group with finance at its core that leads the regional community

Full-service financial group with a focus on banking



Loans, leases, and credit cards
Asset management, insurance
Business succession, M&As, business matching

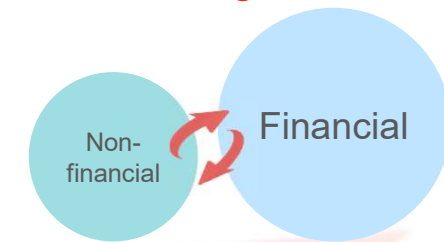
- Strengthen group management and expand business areas
- Create new added value through a market-in approach

Financial and non-financial full-service group



Regional trading companies, human resource placement, etc.
Expansion of non-financial areas

- Integration of financial and non-financial areas
- Accelerating innovation through open collaboration



Regional problem-solving solutions
Expansion of new customer experience services

- Optimal solutions that combine financial and non-financial areas
- Improve earnings by expanding group synergies

Restructuring of organizational capabilities and business portfolio

Securing a sustainable competitive advantage and profit opportunities

(5) Outline of the Medium-Term Business Plan

Name

1st Medium-Term Business Plan (October 2021 – March 2024)

Create Value & Innovation - Co-creating a “new” Okinawa experience -

Group Vision

To provide enhanced customer experience (CX) and contribute to the resilient and sustainable growth of the regional community as a full-service group with finance at its core

Four Pillars

Four Pillars of Group Strategy

Strategy I

Group strength to lead the regional community



- Strengthen the Group governance function and further strengthen Group solidarity through the transition to a holding company structure
- Strengthen collaboration within the Group and with outside companies, aiming for the integration of financial and non-financial domains
- Build Group strength to achieve sustainable development, addressing regional development, regional issues, and improving productivity

Strategy II

Provide services through a market-in approach



- Integration of human touch and digital services to meet customer needs
- Provide solutions services through intra-Group collaboration

Strategy III

Optimization of group management resources



- Allocate management resources to growth areas to create the non-financial domain and strengthen competitive advantages in the financial domain
- Shift management resources to the human touch through continuing operational reforms

Strategy IV

Human resources development to lead Group growth



- Enhance consulting capacity to contribute to problem solving and quality asset formation
- Establish Group training systems to enable the Group to provide a one-stop service

(6) Basic Policy of the Medium-Term Business Plan

Holding Company

With “further advancement of Group governance” as the basic policy of the Medium-Term Business Plan, we will implement the Four Group Strategies to achieve the Group Vision



(7) Establishment of the Sustainability Committee

Holding Company

- When the Okinawa Financial Group is established, we also establish a Sustainability Committee aimed at implementing concrete initiatives, based on the Okinawa Financial Group Sustainability Policy.
- We will achieve sustainability management by adapting to environmental changes based on our priority issues and shifting risks into growth opportunities.



Sustainability Committee

With the transition to a holding company structure, we establish a Group-wide Sustainability Committee to promote sustainability from a unified approach across the Group. The committee will engage in activities closely involved with the region, identifying social and environmental issues, and also participating in the development of products and services to contribute to resolving these issues through business.



Appointment of SDGs Promotion Managers

Since April 2020, we have appointed SDGs promotion managers in each section and branch of the Group's subsidiary banks to disseminate the SDGs among employees and customers. We will link this initiative with our main businesses to further address social issues.

4

More Sophisticated Solution-focused Sales

(1) Corporate Customers (i. Establishment of the Regional Sogo Shosha “Future Okinawa”)



We established Future Okinawa to achieve the “expansion of business areas by expanding customer markets” and the “diversification of sources of income”

Expansion of business areas

We will further strengthen group synergies by expanding our business areas to solve the increasingly diverse and complex issues facing the regional community.

Diversification of sources of income

The environment surrounding regional financial institutions is changing rapidly, with negative interest rates and the entry of other industries, and we aim to secure future profits by changing and adapting our organizational structure.



Connecting people, goods and opportunities

Future Okinawa

With the establishment of the regional Sogo Shosha “Future Okinawa,” we will work together as a group to support the business activities of enterprises in Okinawa Prefecture, primarily by expanding their markets, to engage in the development and revitalization of the region.

MISSION

Regional involvement Regional contribution

① Market development support business

- Market development support in collaboration with regional banks and regional trading companies around Japan
- Sales support utilizing Okigin Big Advance, etc.
- Sales agency services to deliver customers' products to markets in Japan and overseas
- Business matching, etc.

② Consulting business

- Management support and business planning support
- Marketing support and branding support
- Proposals related to urban development, industry promotion and SDGs

(1) Corporate Customers (ii. Services to Contribute to Market Development and Problem Solving)

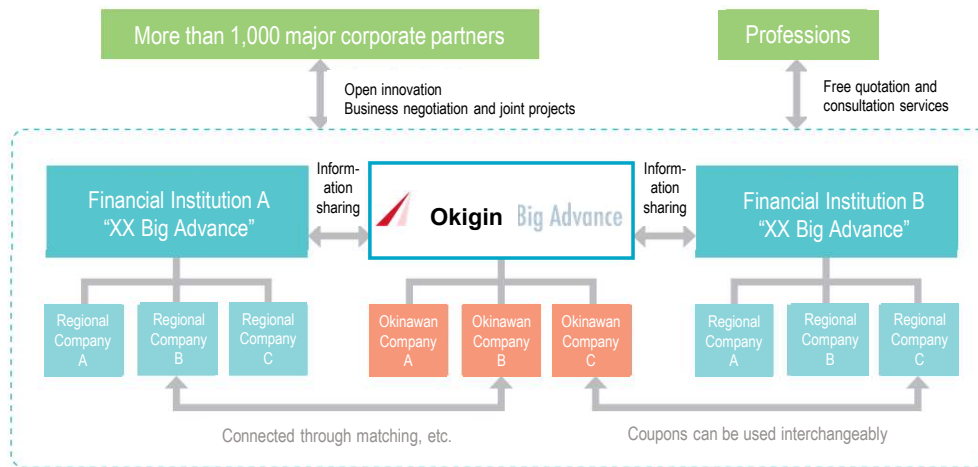
- We will provide customers with diverse services to support market development and contribute to problem solving

Okigin Big Advance



- Platform to support the growth of regional SMEs in collaboration with financial institutions across Japan
- Providing customers with diverse services to contribute to solving the issues faced by customers such as market development support through nationwide business matching and designing homepage

【Structure of Big Advance】



With Big Advance, we will contribute to solving the issues faced by customers in ways such as using digital channels to expand sales and enhancing welfare and benefits.

	Business matching Matching services for businesses, real estate, human resources and even business succession		Professional consultation Solve management issues through online professional consultation services
	Welfare and benefits service Provide welfare and benefits to employees through coupons		Open innovation Participate in innovation projects with major corporations
	Homepage functions Create smartphone and SEO-compatible corporate homepages in just 15 minutes		Chat services Chat services with responsible staff at branches and headquarters

BANKER'S Choice

- Delivering a range of outstanding items filled with the commitment of each region, selected by 13 financial institutions across Japan, to users via catalogue sales and e-commerce
- Supporting the revitalization of regional consumption hit by the COVID-19 pandemic, and raising brand value through product stories, etc.

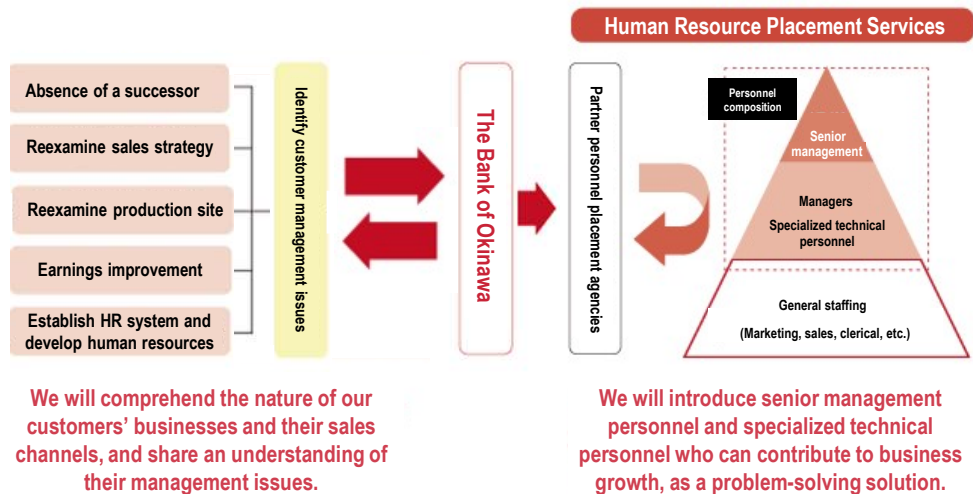


(1) Corporate Customers (iii. New Services Related to Human Resource Placement and Financing)

- We will develop human resource placement services as solutions utilizing business evaluation
- We will partner with fintech firms that provide new methods of financing accessible entirely online

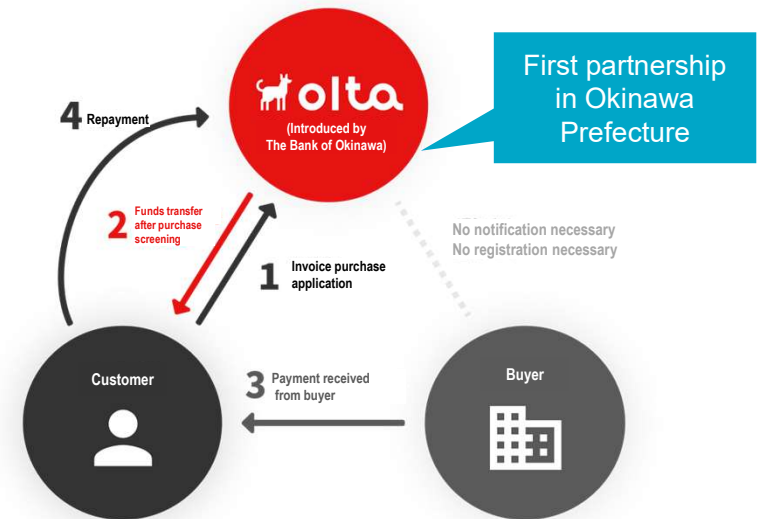
Okigin Human Resource Placement Services

- Identify requirements for “senior management personnel” and “specialized technical personnel” through business evaluation
- Partner with local personnel placement agencies as well as major personnel placement agencies outside Okinawa Prefecture, to introduce appropriate personnel



Okigin Cloud Funding (powered by OLTA)

- Promptly convert invoices to cash when necessary
- Accessible entirely online, with no need for face-to-face consultation
- First partnership with the funding firm OLTA in Okinawa Prefecture



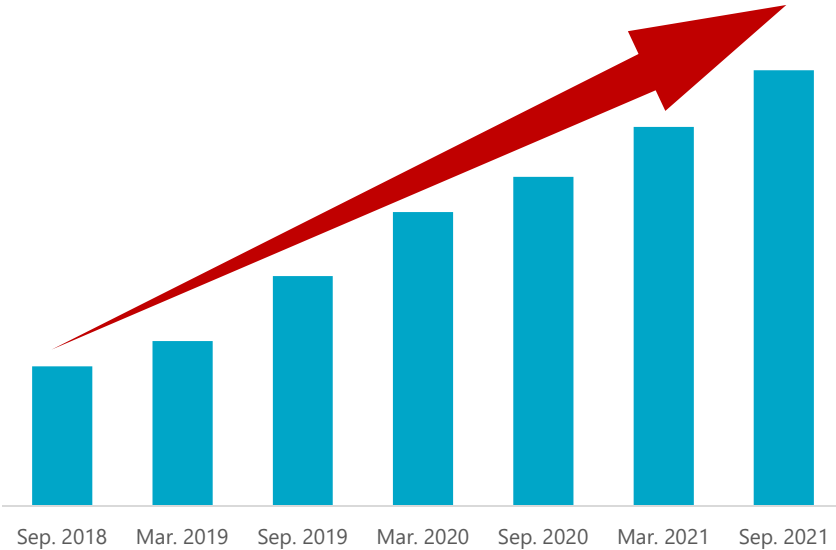
(2) Individual Customers (Providing Services from a Market-in Approach)

- Asset management awareness is increasing with a shift from savings to investment, in anticipation of the era of 100-year life spans
- Under our Fiduciary Duty Basic Policy, we will pursue the interests of customers in line with their needs

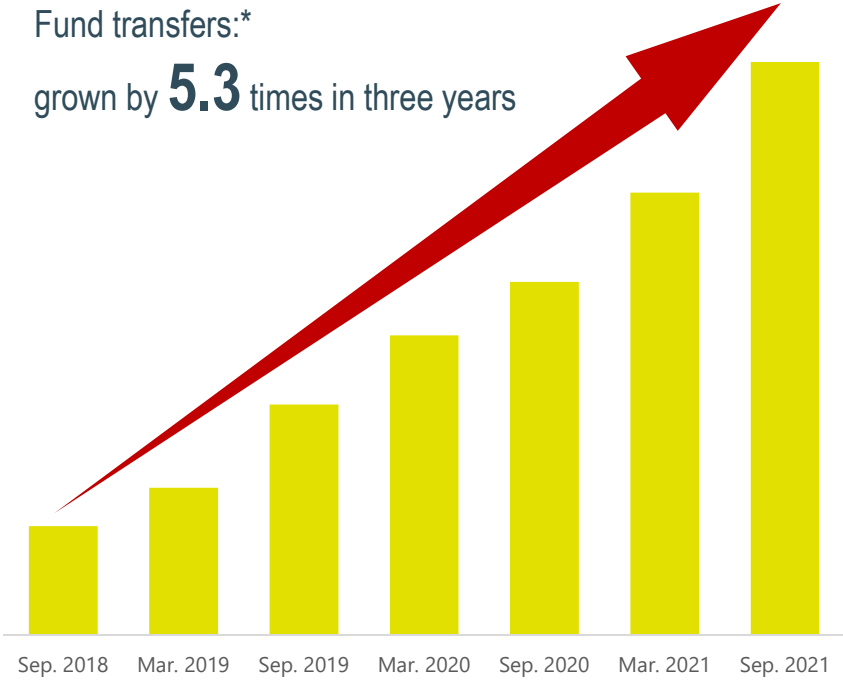
Expansion of trust accumulation

Implementing the Okigin Fiduciary Duty Basic Policy: operating in the interests of our customers

- Number of subscribers: grown by **3.1** times in three years



- Fund transfers:* grown by **5.3** times in three years



* Fund transfers per month

5

Enhanced Productivity through Operational Reforms

(1) Operational Reforms to Focus Management Resources on the Human Touch

- We have shifted management resources to the human touch through the centralization of operations at head office and the utilization of digital tools
- We will focus the shifted management resources on expanding corporate customers and solving their problems based on business evaluation

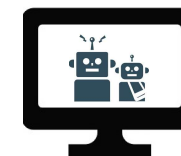
■ Centralization of operations at head office

- Expanded the centralization of clerical work for loan execution at head office
 - ⇒ Reduced the time taken to prepare and send claims documentation
- Centralized self-assessment at head office
 - ⇒ Centralized operations at head office and reduced clerical work at branches

Achieved centralization of **approximately 50%** of jobs as of September 2021

■ Utilization of digital tools

- We aim to improve the efficiency of operations, including at Group companies, through the use of groupware, chatbots (automatic response utilizing AI) and RPA



⇒ Our initiatives from April 2019 to March 2021 reduced operating time by **149 thousand hours***

*On an annual basis

■ Increase business customers and major corporate customers

- The numbers of business customers and major corporate customers are both progressing strongly
- We will aim to continue to grow the number of business customers and major corporate customers, while focusing on solving problems faced by customers based on business evaluation

	FY2018	FY2019	FY2020
Total customers	13,136	13,428	14,666
Major customers	6,675	7,060	7,447

* Total customers represent business borrowers including sole proprietors
* Major customers represent borrowers for which the outstanding balance of credit (on a Group-wide basis) is highest (excluding conditional loans from government financial institutions) at fiscal year end

* Human touch refers to high value-added face-to-face services that support a new customer experience and customer self-realization, excluding mechanical counter operations.

(2) DX Initiatives to Achieve Greater Convenience and Lower-cost Operations

- We will enhance customer convenience through expanded functions available through our smartphone apps “Okigin Smart” and “OKI Pay”
- We are engaged in our initiative to abolish passbooks, review our branch and ATM network, and centralization of ATM manufacturing

■ “Okigin Smart” for those who don’t need a bank

- We will add the following functions in addition to balance inquiries, internal funds transfers, etc.
 - Remittance to other financial institutions
 - Change of address
 - Loan applications
 - No-fee remittance to Okigin Securities



*No. of downloads: approx. 70,000

■ “OKI Pay” for cashless payments

- We will expand functions of the OKI Pay smartphone payment service
 - Expand compatibility with barcode payment slips for local municipalities, etc., bookings and payments at dispensing pharmacies, collaboration in the use of discount coupons, etc.
- We will promote the shift to cashless transaction for the whole regional community through the spread of electronic gift vouchers and OKI Pay
 - HAPITOKU OKINAWA coupons, Uruma City e-machi Gift, etc.

DX initiatives to achieve both enhanced customer convenience and low-cost operations

■ Initiative to abolish passbooks

- We increased the number of passbook-free accounts by **over 13 thousand** during the two years from October 2019, through DX initiatives such as expanded functions for Okigin Smart
- We donated part of the cost saving from abolishing passbooks

■ Review of our branch network

- Reduced annual expenses by approx. **¥100 million** compared to FY2018 through cost initiatives such as branch-in-branch

	Number of Branches
Relocation	1
Branch-in-branch	7

■ Review of our ATM network

- We reduced the number of ATMs by 87 over the two years from April 2019 to March 2021, achieving annual cost reductions of approx. **¥130 million** compared to FY2018
- We forecast cost reductions of approx. **¥470 million** over the next decade due to the centralization of ATM manufacturing

6

Addressing ESG/SDGs through Business Activities

(1) Environmental Initiatives

■ Supporting the Task Force on Climate-related Financial Disclosures (TCFD) recommendations

The Group perceives the environment and climate change response as key issues, and we will analyze the risks and opportunities that climate change presents for our customers and the Group, and actively engage in information disclosure in line with the TCFD recommendations.



■ Concluding a comprehensive partnership agreement with The Okinawa Electric Power Company, Incorporated to achieve a decarbonized society

[Partnership]

- We introduced “Uchina – CO2-free Menu” at our headquarters building

[Future Initiatives]

- Initiatives to expand the introduction of renewable energy
 - Discussions on a joint PV-TPO business aimed at focusing on renewable energy; joint promotion of low-carbon energy to individual customers through housing loans, etc.
- Initiatives to expand the introduction of, and transition to, environmentally-friendly energy
 - Reduce CO2 emissions through the introduction of “Uchina – CO2-free Menu” and consider supporting the procurement of renewable electricity sources
- Educational activities aimed at achieving a decarbonized society
 - Hold employee workshops and seminars, and engage in joint coast cleaning activities, etc.
- Educate the next generation in the region, and discuss other forms of collaboration in line with the purpose of the agreement

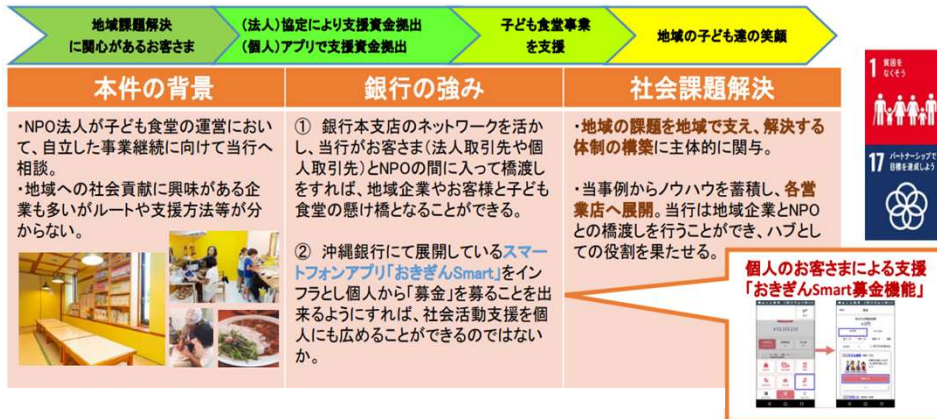


(2) Social Initiatives (i)

- The proportion of children living in poverty in Okinawa is approximately twice the national average
- We use the Bank's network and infrastructure to provide support, including helping to create mechanisms to deliver aid on a continual basis

Awarded as an example of an initiative to contribute to regional revitalization

- We have concluded an Agreement on Collaboration and Cooperation with an NPO, NIJINOHASHI FUND, which provides support for children in Naha City
- By adding a donations collection function to Okigin Smart, we gave individual customers an easy way to support social work, thus helping to establish a mechanism whereby organizations that contribute to society can continue to receive support



Source: Towns, People and Work Revitalization Headquarters, Cabinet Secretariat

Using Okigin Smart to expand the range of donation recipients

- We have used Okigin Smart to expand the range of donation recipients (Okinawa Children's Future Lunch Support)
- Our employees brought around 250 items of stationary supplies such as notebooks and 77kg of rice from home to donate



Supporting activities to address the SDGs through foreign currency time deposits

- We have developed a product where we donate part of the foreign exchange fees and commissions on USD-denominated time deposits
- Customers can support activities to address the SDGs by making foreign currency deposits
- The money is donated to the Okinawa Children's Future Support Citizens Movement



(2) Social Initiatives (ii)

- We have been recognized by several organizations for the promotion of female participation and career advancement, and health promotion activities
- The Group will continue to work together as one to engage in these initiatives

■ Received Eruboshi Certification for the promotion of female participation and career advancement

- We obtained the third rank of Eruboshi Certification, clearing all five certification criteria as a company that engages in outstanding initiatives, etc. related to the promotion of female participation and career advancement.
- We aim to raise the proportion of female managers to 30% or above by 2024



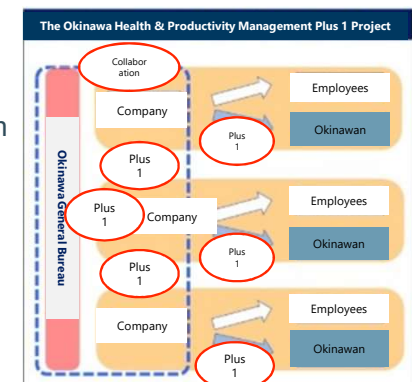
■ Recognized under the Certified Health & Productivity Management Organization Recognition Program 2021

- We have been recognized under the Certified Health & Productivity Management Organization Recognition Program for four consecutive years since 2018
- The Group will continue to work together as one to engage in these initiatives



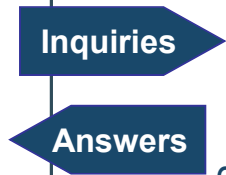
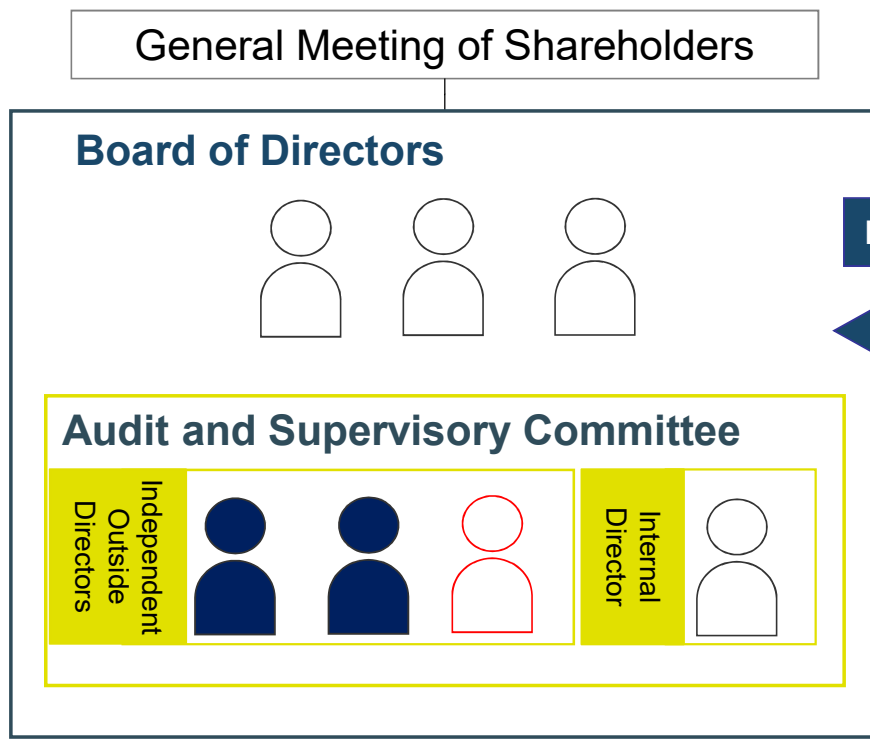
■ The Okinawa Health & Productivity Management Plus 1 Project

- We are promoting health maintenance and improvement as a joint government-private sector initiative, aiming to reclaim Okinawa Prefecture's reputation for health and longevity
- We will use our branch network, holding lobby exhibitions at each branch, where visitors can "see," "hear" and experience" exhibits to promote health awareness



(3) Governance Initiatives

- Okinawa Financial Group was established as a company with audit and supervisory committee
- We established the Group Nomination and Compensation Advisory Committee to ensure the transparency and objectivity of decisions relating to the nomination and compensation of Directors, etc.



■ Group Nomination and Compensation Advisory Committee



- Established the Group Nomination and Compensation Advisory Committee as a voluntary advisory body to the Board of Directors regarding the nomination and compensation of Directors, etc.

■ Proportion of Independent Outside Directors

- 3 out of 7 = 42.8%, meeting the Prime Market listing criteria*
 * We have confirmed conformance with the Prime Market continued listing criteria, and are in the process of applying for selection

■ Proportion of Female Officers

- 1 out of 7 = 14.2%, achieving diversity with a proportion of female officers exceeding 9.2%, the proportion indicated by the Gender Equality Bureau Cabinet Office for the banking sector

7

Management Indicator Targets and Dividend Policy

(1) Management Indicator Targets and Dividend Policy

Holding Company

- By engaging as a full-service group with finance at its core, we aim to achieve net income attributable to owners of the parent of ¥6.0 billion in the final fiscal year of the Medium-Term Business Plan

Management Indicator Targets		Dividend Policy	
	FY2020	FY2023	
Consolidated net income	¥5.2 billion	¥6.0 billion	<p>The Bank's basic policy on appropriation of surplus is to aim to strengthen its management structure while providing stable dividends in light of the public nature of the finance business.</p> <p>Common dividend</p> <p>Regardless of performance, we aim for a yearly common dividend of ¥70.</p> <p>Performance-linked dividend</p> <p>If the Group's consolidated net income for the fiscal year exceeds ¥7.0 billion, we will consider paying a special dividend.</p> <p>Total return ratio</p> <p>The Group sets a target of 30% of consolidated net income for the fiscal year for total shareholder returns.</p>
Consolidated ROE*	3.46%	Approx. 4%	
Consolidated OHR	71.4%	Approx. 70%	
Consolidated capital ratio	10.95%	Approx. 10%	

*Consolidated ROE is shown on a shareholders' equity basis.

(2) Business Performance Forecasts for FY2021

Holding Company

- We forecast net income attributable to owners of the parent of ¥3.5 billion for FY2021

Business Performance Forecasts for FY2021

(¥ billion)

	FY2021 business performance forecasts	Year-on-year change
Ordinary income	49.6	—
Ordinary profit	6.3	—
Net income attributable to owners of the parent	3.5	—

[Reference] Non-consolidated business performance forecast for The Bank of Okinawa for FY2021

(¥ billion)

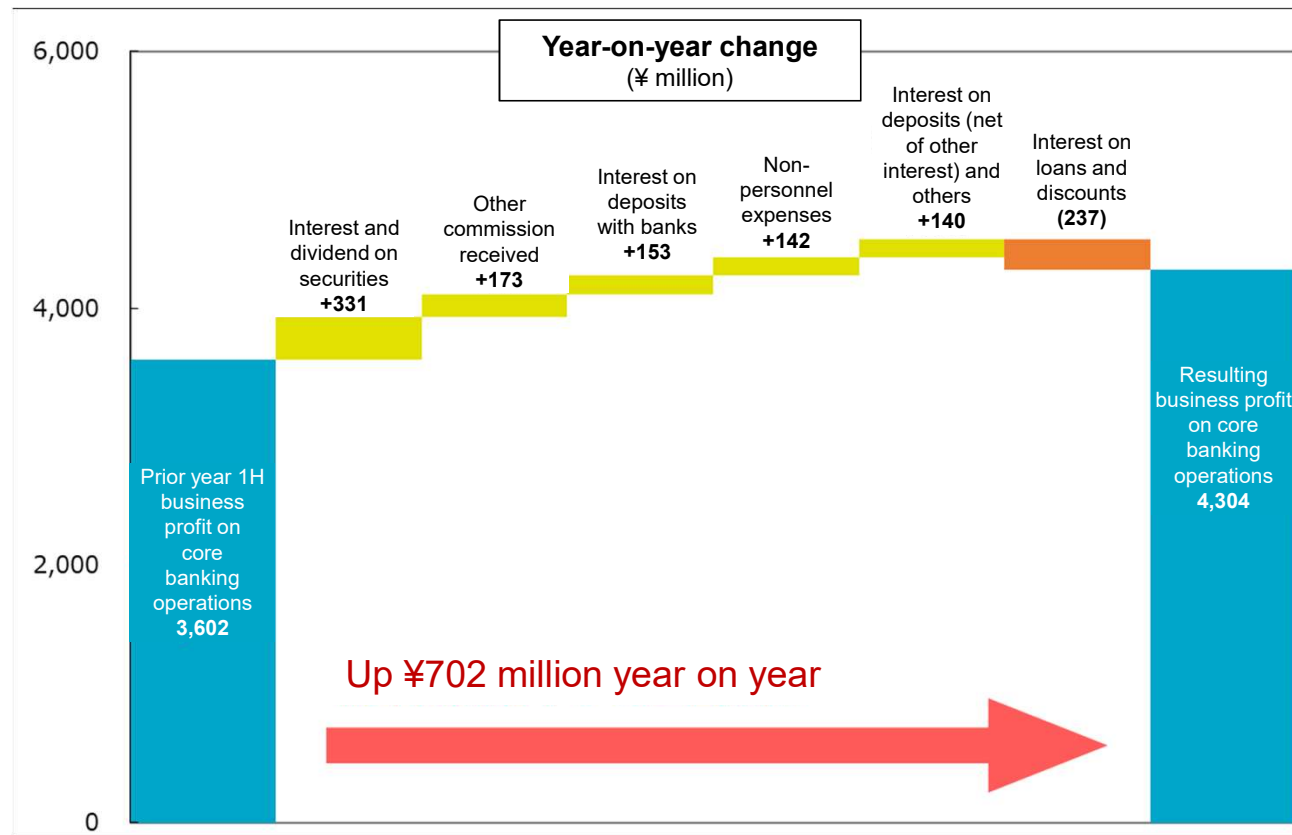
	FY2021 business performance forecasts	Year-on-year change	FY2020
Ordinary income	34.8	(1.6)	36.4
Business profit on core banking operations	7.1	(1.6)	8.7
Ordinary profit	5.6	(0.7)	6.3
Net income	3.3	(1.2)	4.5

8

Supplemental Materials (Business Results for FY2021 1H)

(1) Business Profit on Core Banking Operations

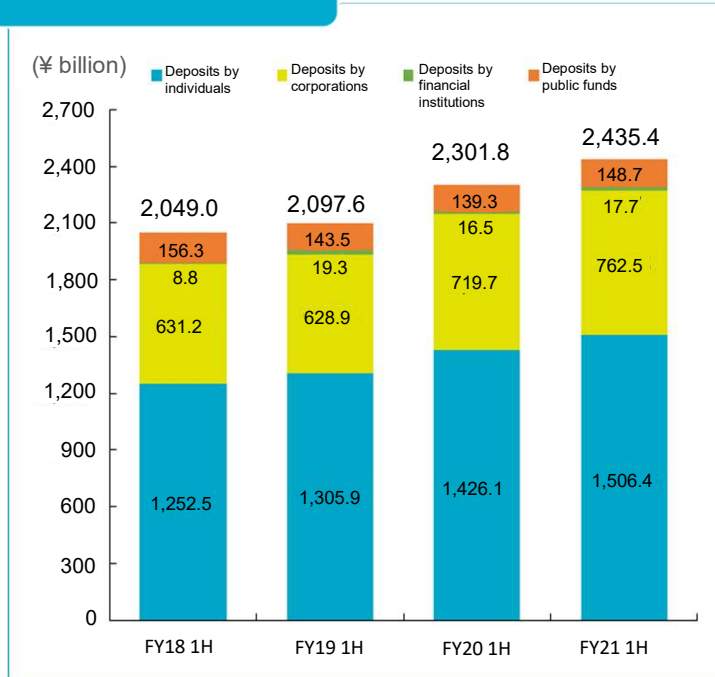
- Business profit on core banking operations increased by ¥702 million year on year, mainly due to an increase in interest and dividends on securities and an increase in other commission received, despite a decrease in interest on loans and discounts.



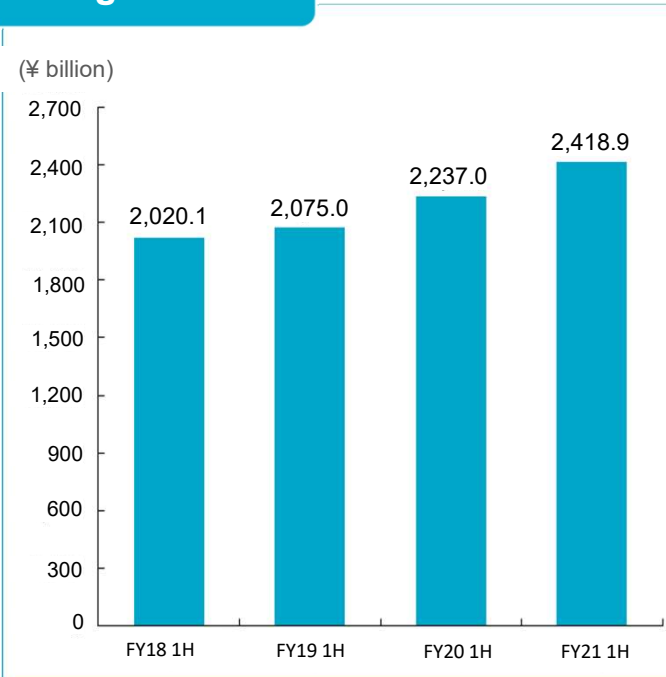
(2) Deposits (Term-End Balance/Average Balance)

- The term-end balance of total deposits rose by ¥133.6 billion (+5.80%) from the end of the 1H of the previous fiscal year, to ¥2,435.4 billion.
- Deposits by individuals rose by ¥80.2 billion, deposits by corporations rose by ¥42.7 billion and public funds rose by ¥9.4 billion.

Term-end balance



Average balance



Deposits by individuals

- Salary payment and pension contracts increased
- Increased mainly due to the slowdown in consumption activities resulting from the impact of COVID-19

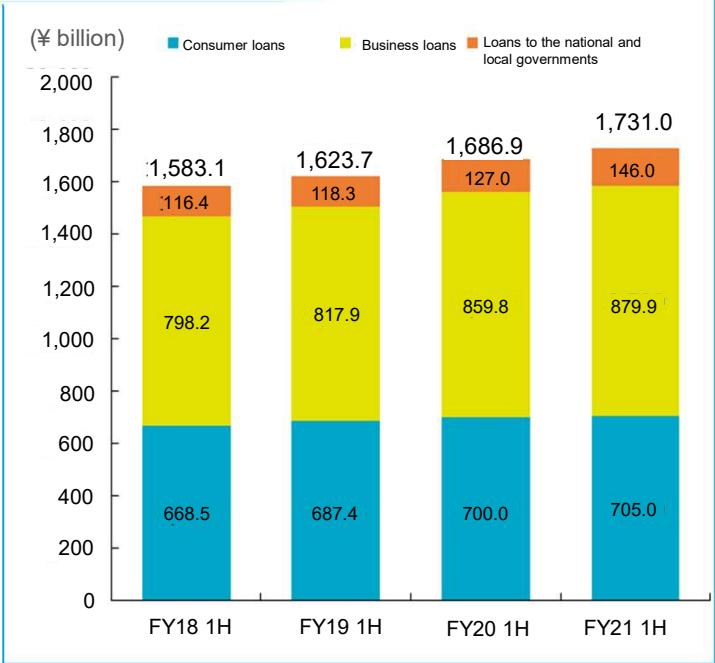
Deposits by corporations

- Enhanced function to trace funds by "Strong Relations Plan"
- Secured cash on hand mainly through financing for COVID-19 countermeasures

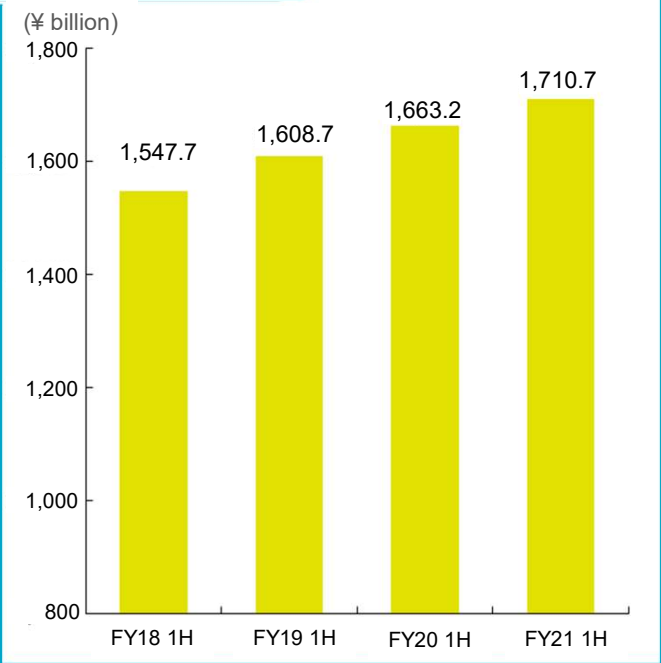
(3) Loans (Term-End Balance/Average Balance)

- The term-end balance of total loans and bills discounted rose by ¥44.1 billion (+2.61%) from the end of the 1H of the previous fiscal year, to ¥1,731.0 billion.
- Business loans and consumer loans rose by ¥20.1 billion and ¥4.9 billion, respectively.

Term-end balance



Average balance



Factors for increase in business loans

Proactive lending to SMEs through loans based on business evaluation and financing for COVID-19 countermeasures

Factors for increase in consumer loans

Mortgage loans

(4) Consumer Loans (Term-End Balance)

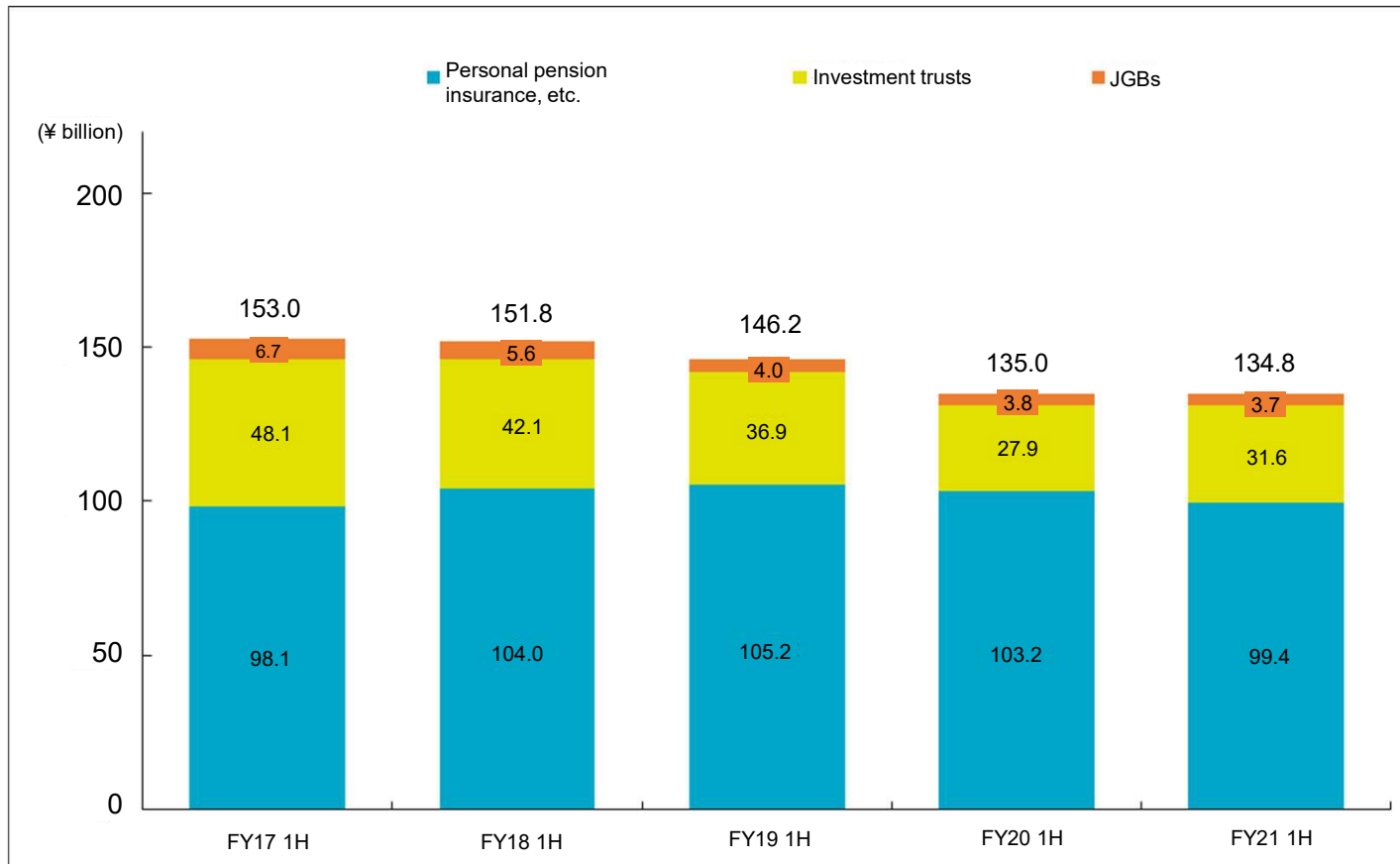
Bank

- Consumer loans rose by ¥4.9 billion (+0.71%) year on year to ¥705.0 billion.
- Of these, mortgage loans rose by ¥6.7 billion and other loans fell by ¥1.8 billion.



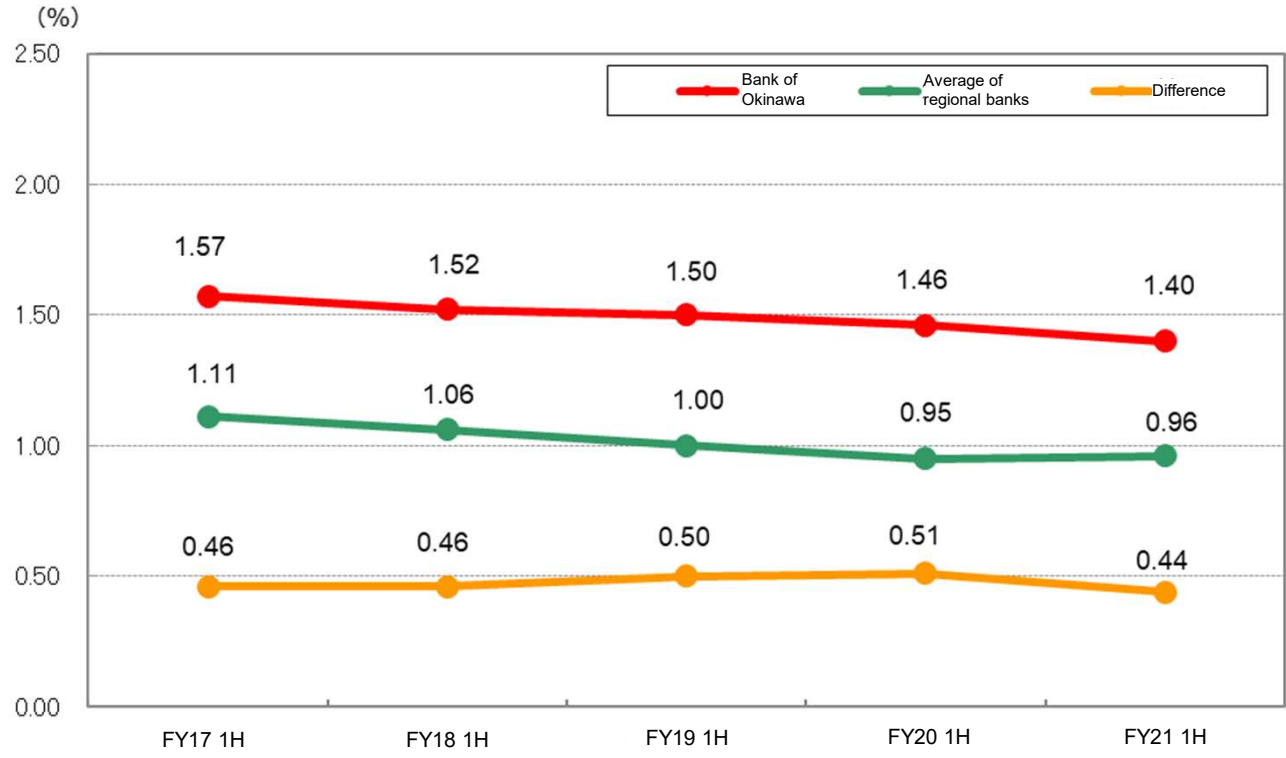
(5) Assets in Custody

- Assets in custody as a whole decreased by ¥0.2 billion, due to decreases in personal pension insurance, etc. and JGBs, despite an increase in investment trusts.



(6) Loan / Deposit Spreads (Domestic)

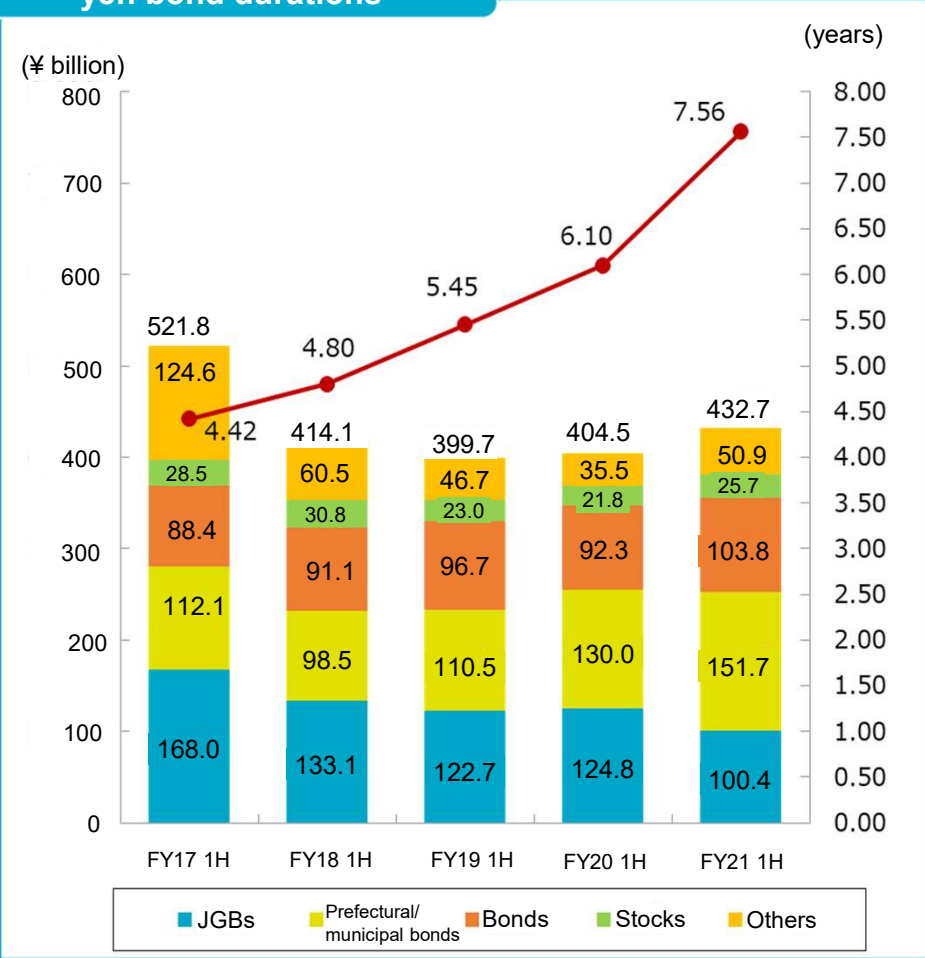
Loan / Deposit Spreads with Regional Bank Averages



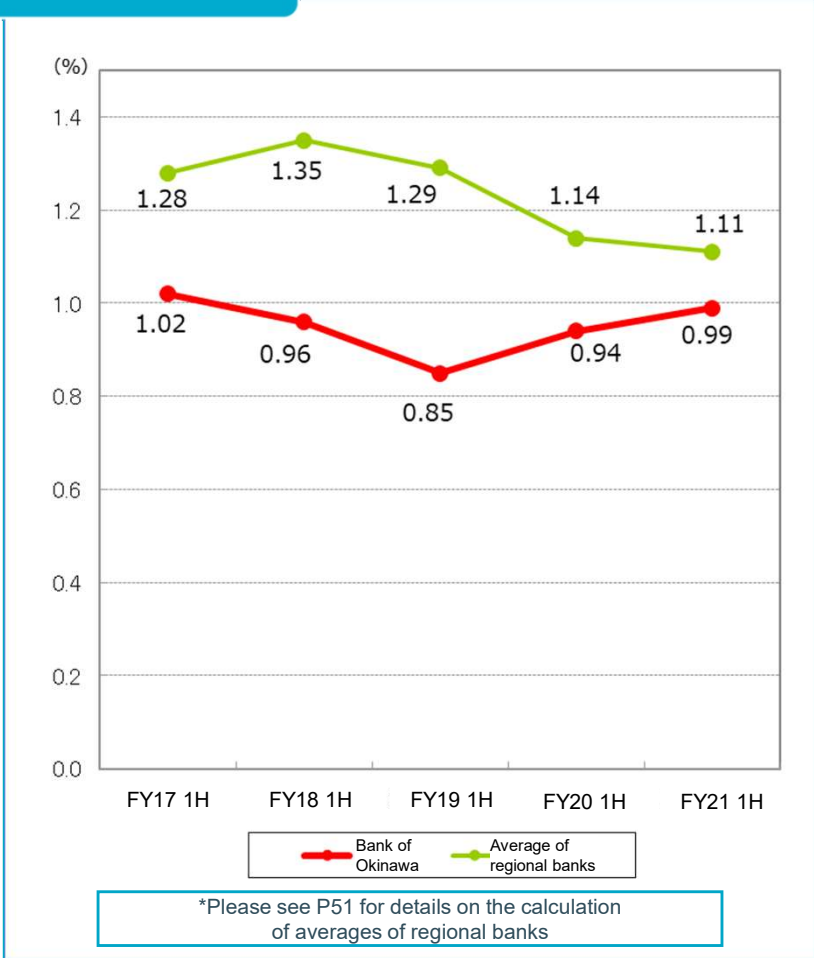
Averages of regional banks are prepared by the Bank based on the financial results of regional banks posted on the website of the Regional Banks Association of Japan. However, because data for the 1H (ending September 30) is published in December of each year, the average of regional banks for FY20 is used for FY21 1H.

(7) Securities (Term-End Balance)

Term-end balance and yen bond durations



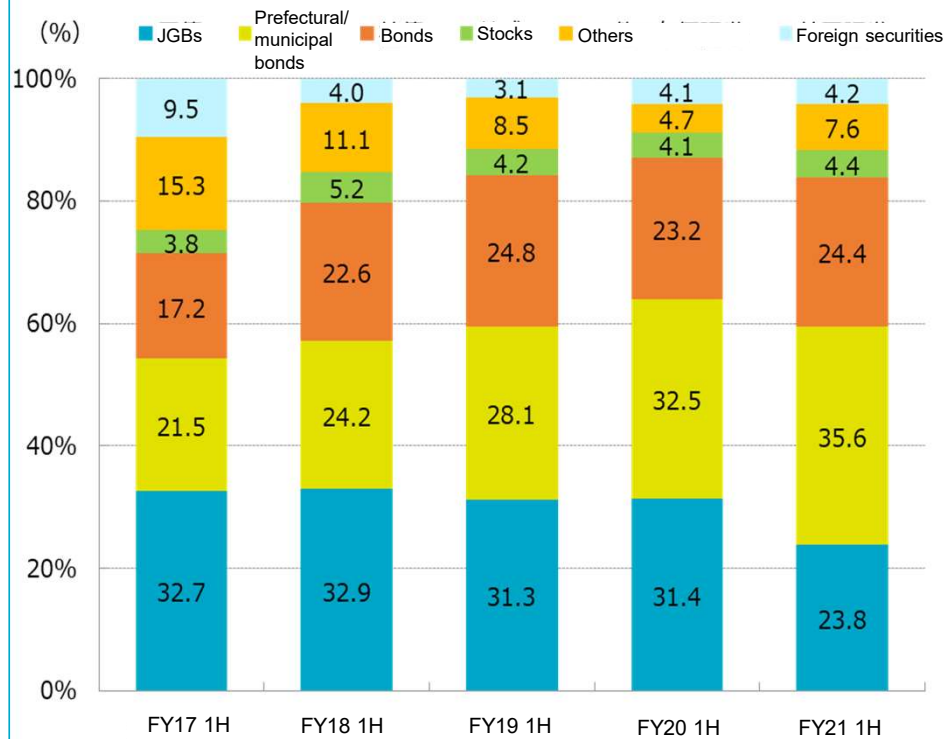
Yield on securities



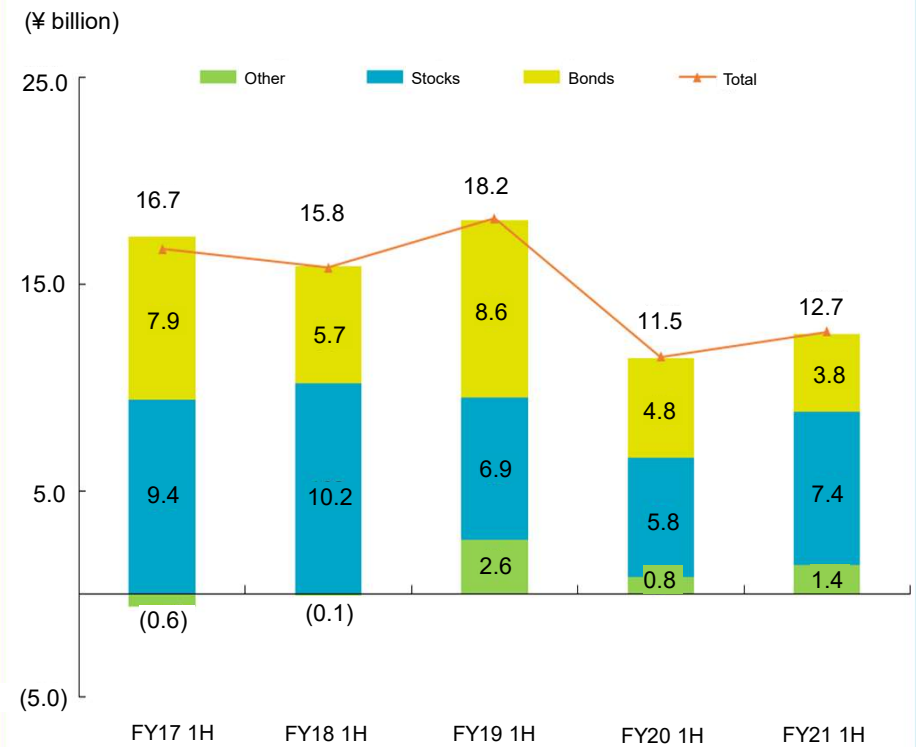
(8) Securities Allocation and Changes in Valuation Gain/Loss

- Continuation of rebalancing from yen bond holdings. Gain on valuation of securities increased by ¥1.1 billion year on year, to ¥12.7 billion.

Securities composition percentage (acquisition cost at term-end)

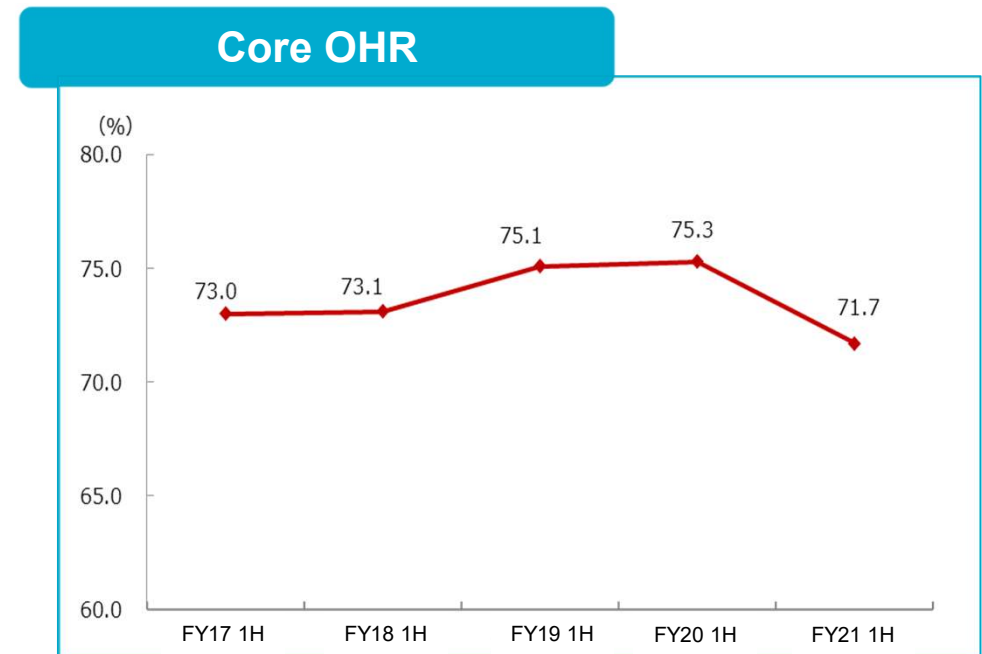
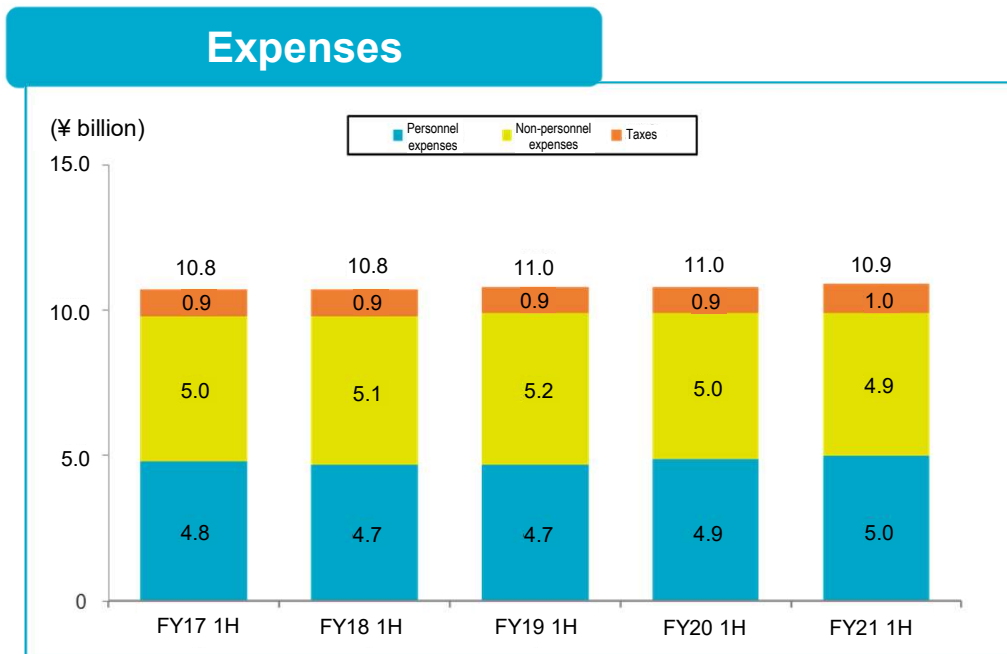


Gain (loss) on valuation of securities



(9) Expenses

- Expenses decreased slightly (down ¥84 million) due to a decrease in non-personnel expenses, despite an increase in personnel expenses.
- Core OHR was 71.7%, down 3.6 percentage points year on year, partly due to the increase in business profit on core banking operations.



Increase in personnel expenses

Decrease in non-personnel expenses (amortization of movable property and real estate, and miscellaneous expenses)

Decrease in Core OHR

(10) Capital Ratio

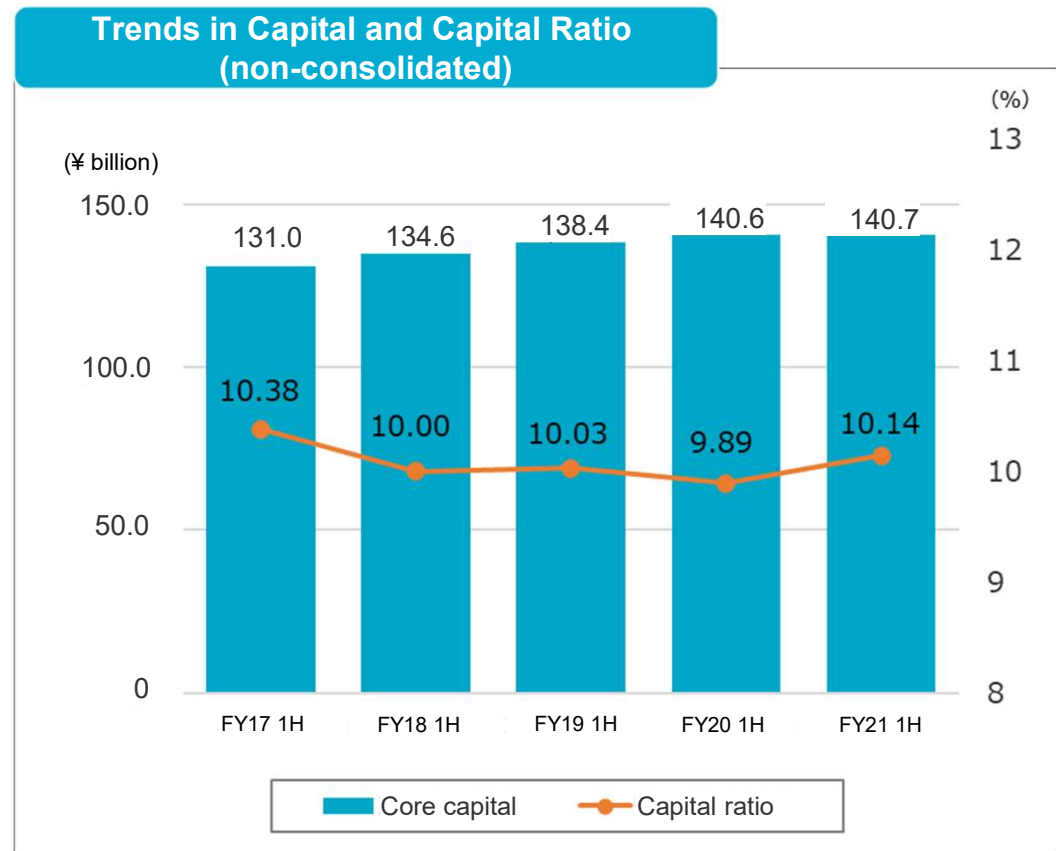
Bank (Consolidated)

- Capital ratio (domestic standard) at 10.82% (consolidated), 10.14% (non-consolidated).
- The capital ratio has risen due to a decrease in risk-weighted assets, and soundness has been secured.

	FY20 1H	FY21 1H	YoY change
(¥ million, %)			
[Consolidated]			
Capital ratio	10.48%	10.82%	0.34%
Capital	152,124	153,030	906
Basic elements of core capital	154,106	155,380	1,273
Adjustments to core capital (-)	1,981	2,349	367
Risk-weighted assets	1,450,590	1,413,186	(37,404)
[Non-consolidated]			
Capital ratio	9.89%	10.14%	0.25%
Capital	140,633	140,790	156
Basic elements of core capital	142,126	142,823	697
Adjustments to core capital (-)	1,492	2,032	540
Risk-weighted assets	1,421,603	1,387,970	(33,632)

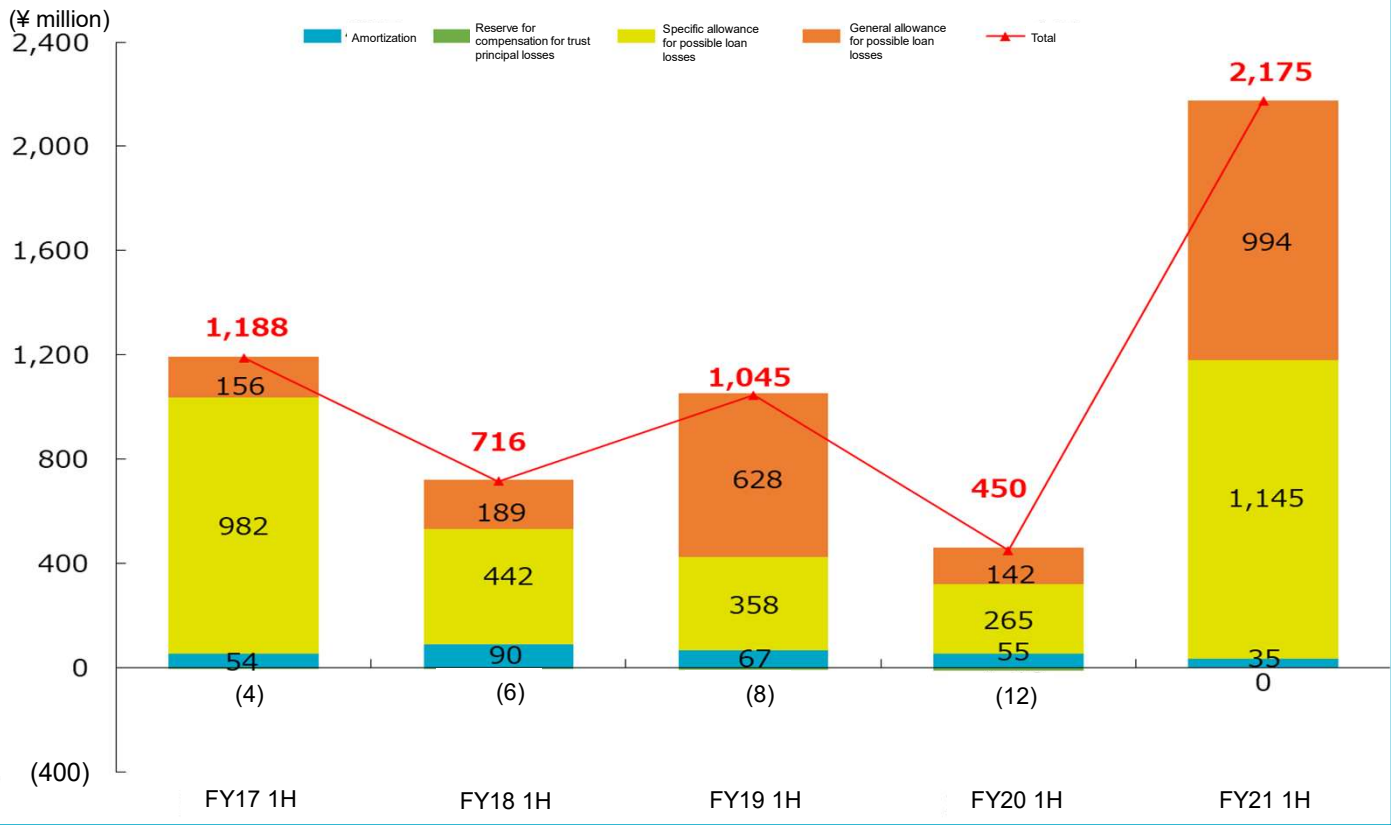
The capital ratio has risen due to a decrease in risk-weighted assets resulting from an increase in COVID-19 response funding (loans covered by credit guarantee). The capital ratio of the Bank exceeds 9.61%, the average non-consolidated capital ratio of domestic standard regional banks in FY20.

*Please see P51 for details on the calculation of averages of regional banks



(11) Credit Cost

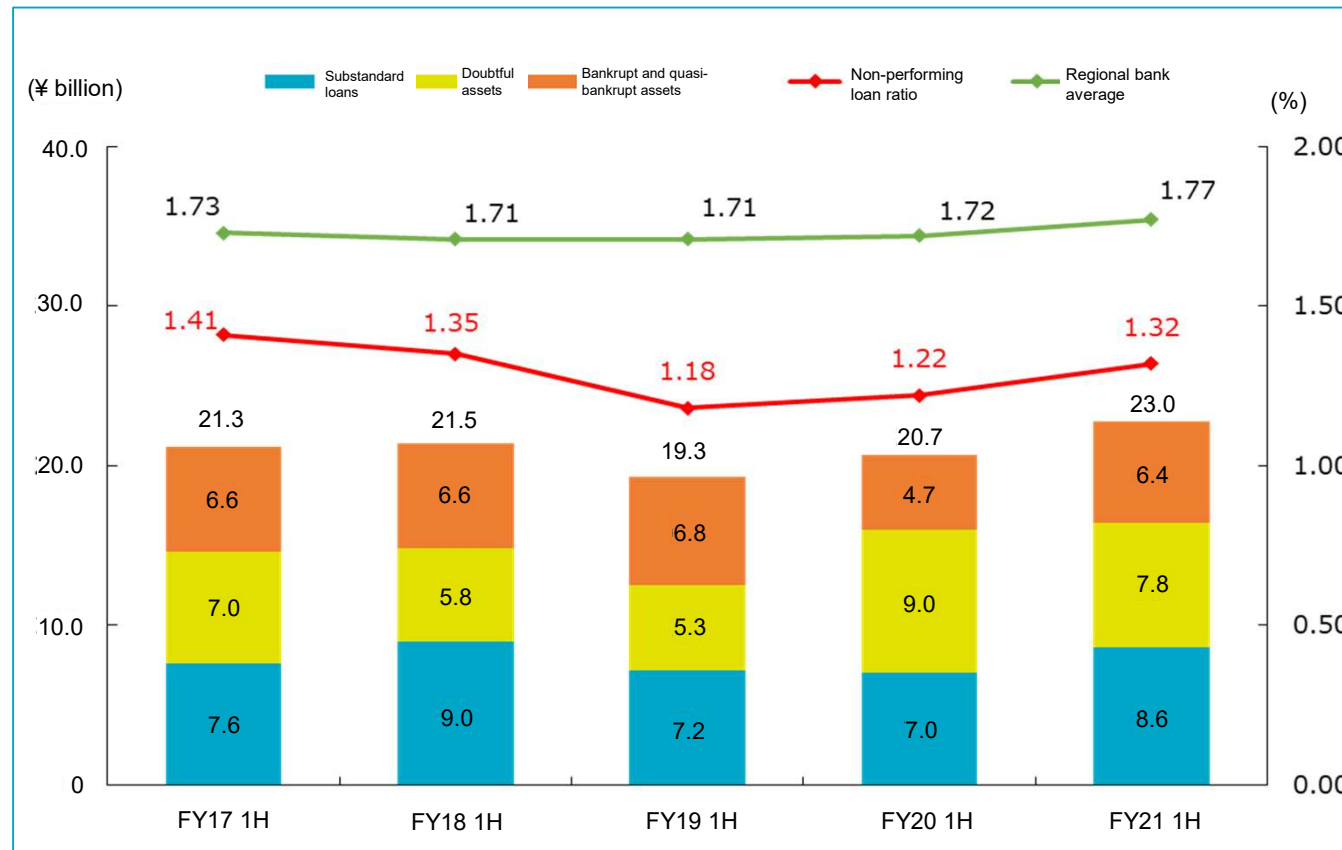
- In overall terms, credit cost increased by ¥1,725 million year on year to ¥2,175 million.



(12) Mandatory Disclosure of Bad Debt under the Financial Reconstruction Law

Bank

- ¥23.0 billion (non-performing loan ratio: 1.32%)
- Remained at low level, below the regional bank average of 1.77%

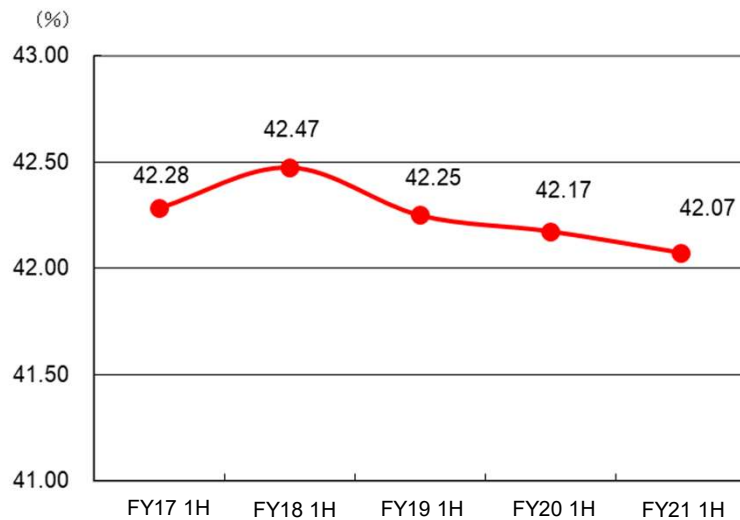


*Please see P51 for details on the calculation of averages of regional banks

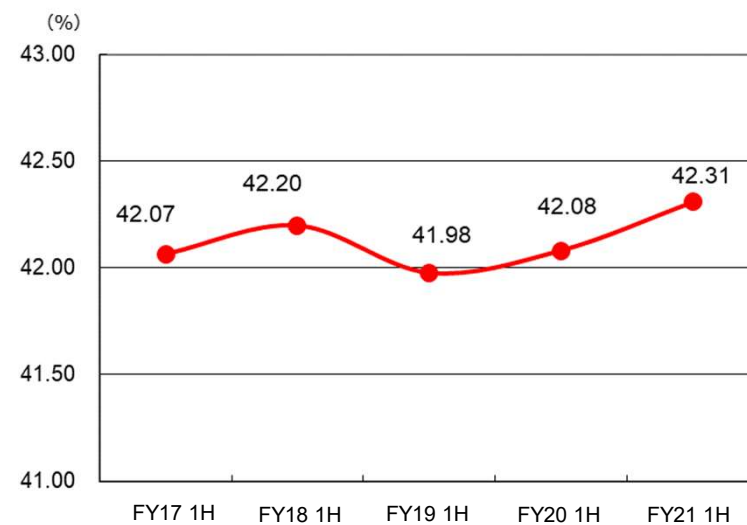
(13) Our Share of the Market Served by the Three Okinawan Regional Banks

- The share of loans and bills discounted and deposits both remained at a high level
- Loans and bills discounted: 42.07% (down 0.1 percentage point YoY)
- Deposits: 42.31% (up 0.23 percentage points YoY)

Loans and bills discounted
(average balance share)



Deposits
(average balance share)



(14) Business Profit on Customer Services

Bank

	(¥ million, %)		
	FY19 1H	FY20 1H	FY21 1H
(1) Loans and bills discounted average balance	1,607,530	1,662,275	1,709,787
(2) Yield on loans and bills discounted	1.526	1.475	1.406
(3) Yield on deposits	0.061	0.018	0.007
(4) Loan / deposit spread ((2) - (3))	1.465	1.457	1.399
(5) Fees and commissions	862	733	952
(6) Operating expenses	11,095	11,158	11,054
(7) Business profit on customer services	1,574	1,717	1,890
(8) Deposits average balance	2,052,766	2,218,935	2,403,749
(9) Business profit margin on customer services	0.152	0.154	0.156

* $(7) = (1) \times (4) \times \text{elapsed days} \div 365 + (5) - (6)$

* $(9) = (7) \div (8) \times 365 \div \text{elapsed days} \times 100$

*Items (1) through (4) and (8) are from banking account.

*Item (4) is the overall spread for domestic and international operations.

9

Supplemental Materials (Business Environment in Okinawa)

(1) Profile of Okinawa Prefecture

Rate of change in population

Rank	Prefecture	Rate of change
1	Tokyo	0.71
2	Okinawa	0.39
3	Saitama	0.27
4	Kanagawa	0.24
5	Aichi	0.21
6	Shiga	0.11
7	Chiba	0.08
8	Osaka	-0.04
9	Fukuoka	-0.07
10	Kyoto	-0.31
	National average	-0.22

Source: Statistics Bureau, Ministry of Internal Affairs and Communications of Japan, Population Estimates

Rate of natural increase /decrease in population

Rank	Prefecture	Rate of change
1	Okinawa	0.20
2	Tokyo	-0.11
3	Aichi	-0.13
4	Shiga	-0.16
5	Kanagawa	-0.20
6	Saitama	-0.25
7	Fukuoka	-0.26
8	Chiba	-0.30
9	Osaka	-0.31
10	Hyogo	-0.36
	National average	-0.38

Source: Statistics Bureau, Ministry of Internal Affairs and Communications of Japan, Population Estimates

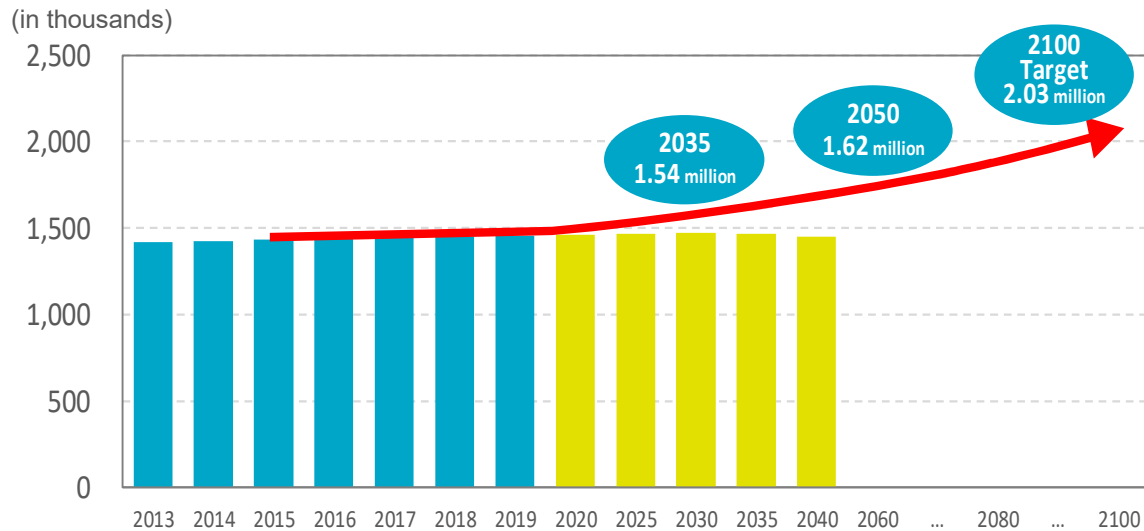
Regional brand survey

Rank	Prefecture	Attractiveness
1	Hokkaido	73.4
2	Kyoto	56.4
3	Okinawa	54.4
4	Tokyo	47.5
5	Osaka	42.0
6	Kanagawa	40.0
7	Fukuoka	37.5
8	Nagasaki	33.9
9	Nara	33.4
10	Nagano	32.5
10	Ishikawa	32.5

Source: Brand Research Institute, Inc., Regional Brand Survey 2021

(2) Population of Okinawa (Future Prospects)

- The population of Okinawa is expected to take a downward turn from 2030 onwards.
- Population is on the increase at this stage, but active steps towards population growth are being taken now.



(in thousands)	2015	2020	2025	2030	2035	2040
Okinawa	1,434	1,460	1,468	1,470	1,466	1,452
Japan	127,095	125,325	122,544	119,125	115,216	110,919

Efforts to facilitate natural increase in population

Creation of a society that allows people to marry, give birth and raise children without undue worries

- Elimination of childcare waiting list
- Promotion of “health and longevity in Okinawa” campaign

Efforts to enhance growth of society

Creation of a dynamic society that is open to society

- Job creation and securing diverse human resources
- Increasing tourists and visitors

Aims to revitalize isolated islands and depopulated regions

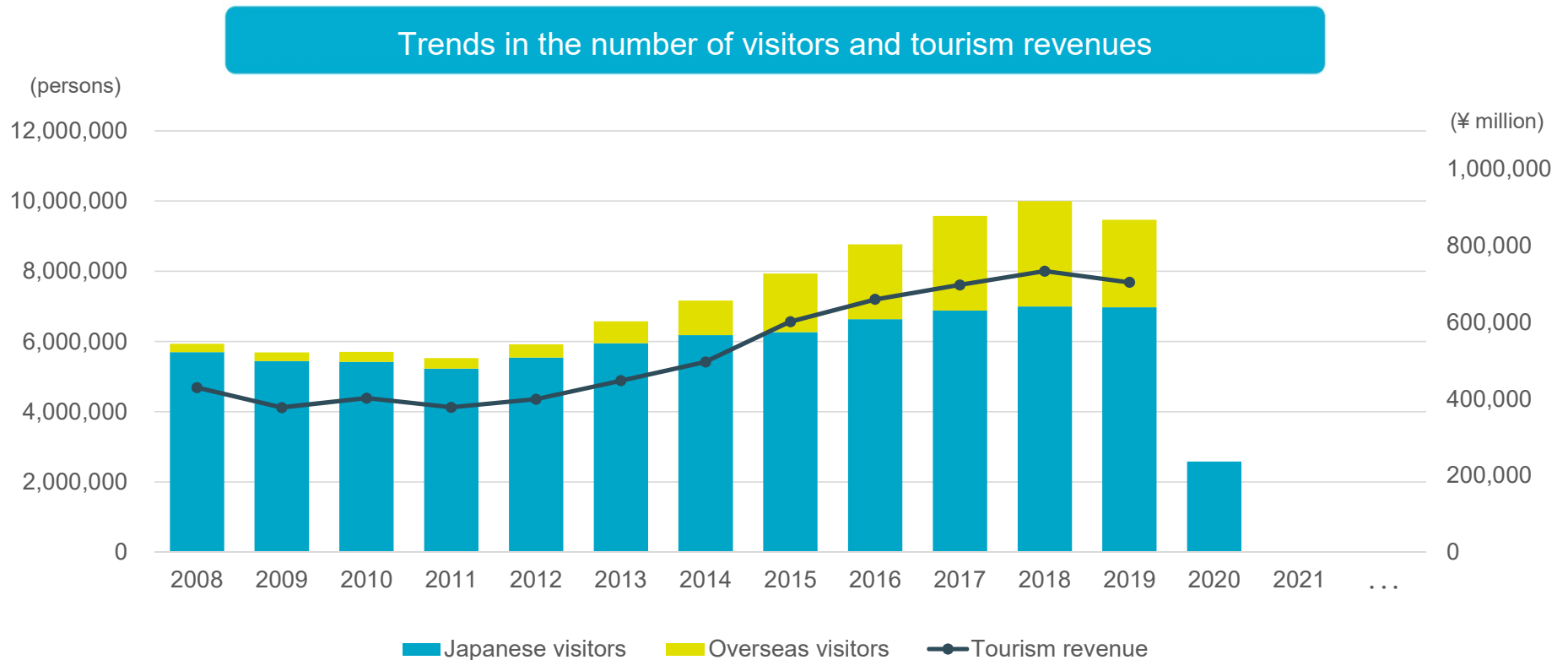
Creation of a society that delivers well-balanced and sustainable population growth

- Improvement of conditions for long-term residents
- Industrial development by demonstrating attractive regional characteristics

Source: National Institute of Population and Social Security Research, Okinawa 21st Century Vision Yugafu Shimazukuri Plan

(3) Number of Visitors to Okinawa

- The number of tourists visiting Okinawa in FY2020 was 2.58 million, due to the impact of the COVID-19 outbreak.
- No overseas tourists visited Okinawa for the first time since its reversion to Japan (there were 2.49 million overseas tourists in FY2019).

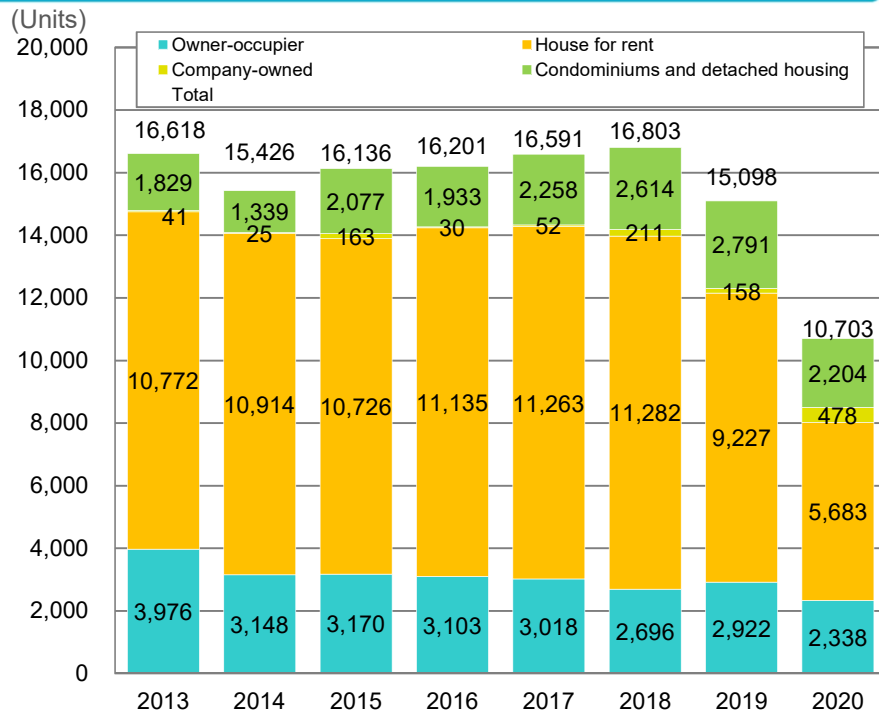


Source: Tourism Policy Division, Department of Culture, Tourism and Sports, Okinawa Prefectural Government

(4) Housing Market Trends in Okinawa

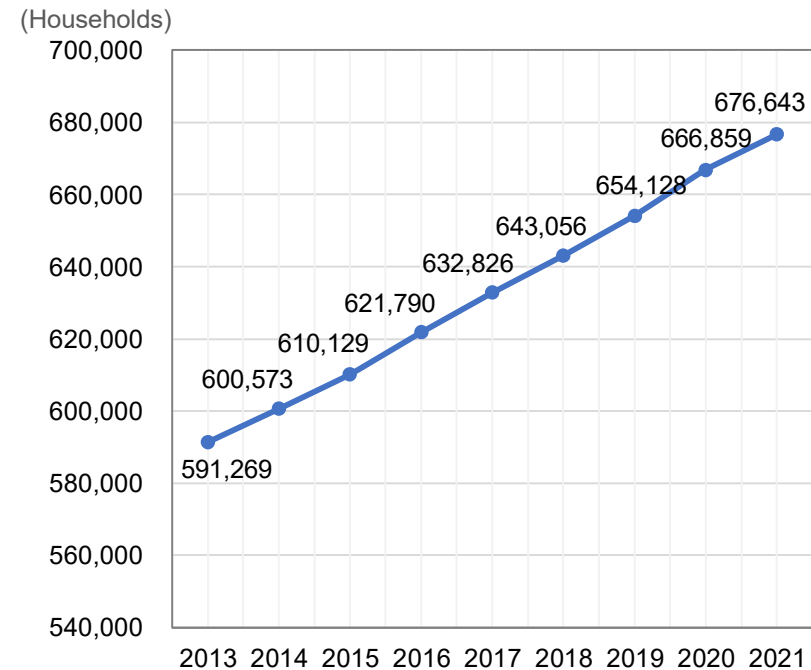
- The number of housing starts in Okinawa Prefecture has begun to decline. However, among condominiums and detached housing, the number of detached houses increased by 110 year on year to 1,170.
- According to the national census 2015, growth rate of population and number of households are both the highest in Japan.

Number of new housing starts by housing type



Source: Ministry of Land, Infrastructure, Transport and Tourism, Statistics of Housing Starts report

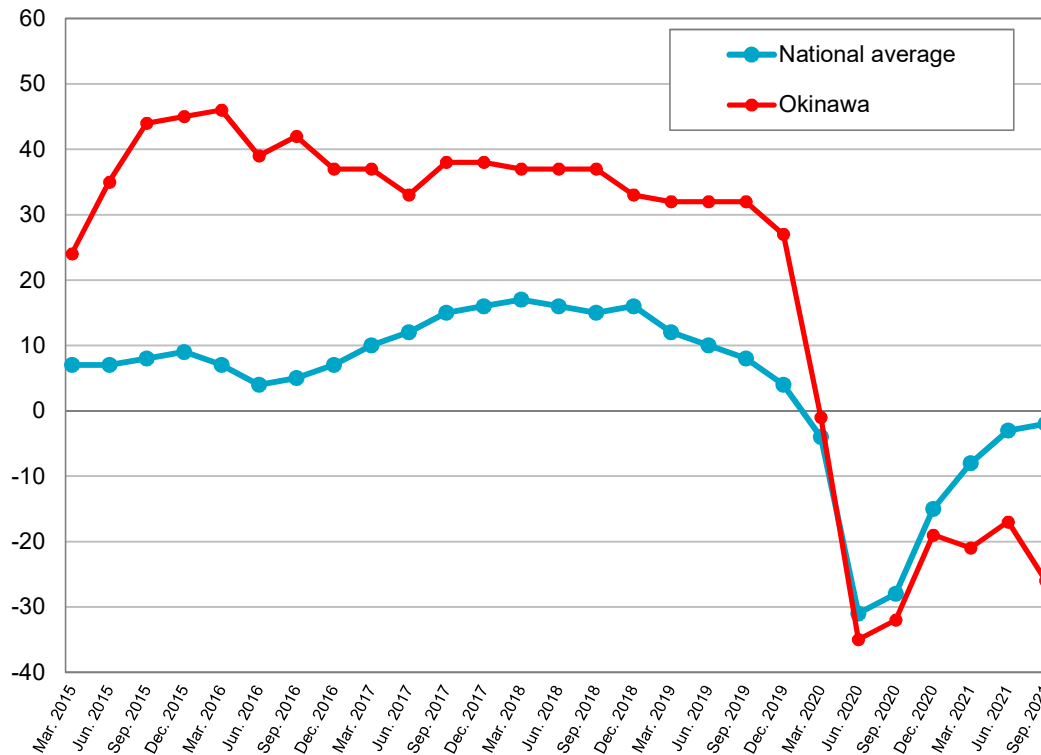
Total number of households in Okinawa



Source: Okinawa Prefectural Government Population, Number of Households, and Demographics Based on the Basic Resident Registers

(5) Economic Trends in Okinawa (i)

BOJ Tankan Business Confidence DI



Source: BOJ Naha Branch

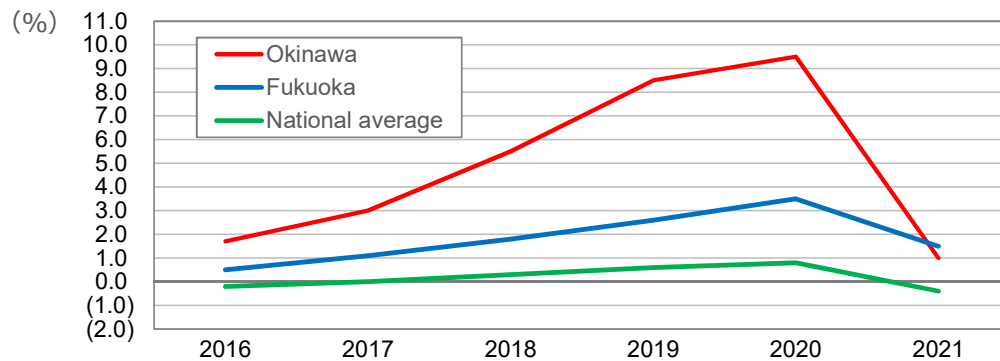
Overview

- ◆ Conditions in the prefectural economy remain challenging for economic activity overall due to the expanding impact of COVID-19 such as the continued state of emergency, causing a prolonged delay in the recovery.
- ◆ Conditions for **personal consumption** also remain unfavorable.
- ◆ **Tourism** also faces adverse conditions due to the continued state of emergency.
- ◆ In terms of **public investment**, performance is solid.
- ◆ The downturn in **capital investment** is slowing.
- ◆ The downturn in **residential investment** is slowing.

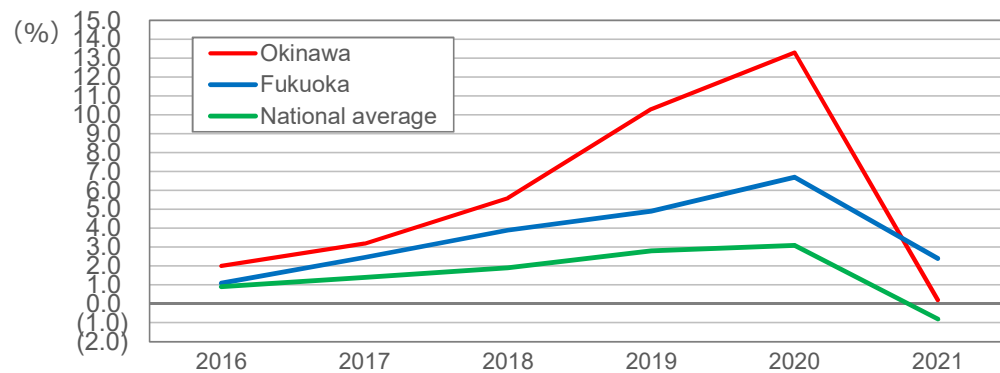
(5) Economic Trends in Okinawa (ii)

Official land prices

Residential land prices



Commercial land prices



Source: Ministry of Land, Infrastructure, Transport and Tourism

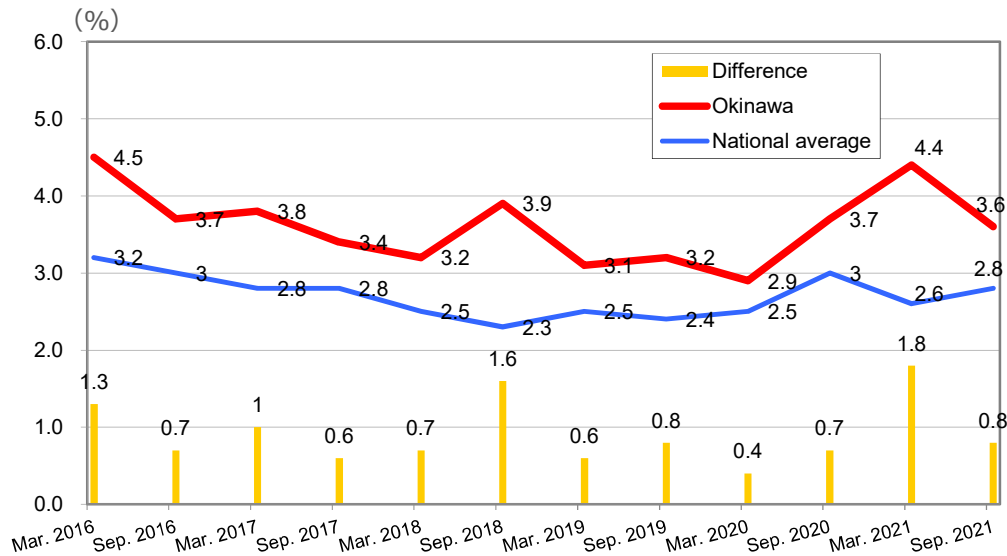
Overview

- ◆ **Average residential land prices in Okinawa increased by 1.0%, after increasing 9.5% in the previous year**, as the rate of growth slowed significantly, mainly due to the impact of COVID-19. Some uncertainty remains regarding the impact of COVID-19 on land prices, but it is thought that increases in population and households will underpin continuing potential demand.
- ◆ **Average commercial land prices in Okinawa increased by 0.2%, after increasing 13.3% in the previous year**, falling well short of the increases seen in previous years, as a result of a significant decline in tourism demand due to COVID-19. However, an improvement in commercial land price growth can be expected from a medium- and long-term perspective, in anticipation of a recovery in tourism demand after COVID-19 is brought under control.

(5) Economic Trends in Okinawa (ii)

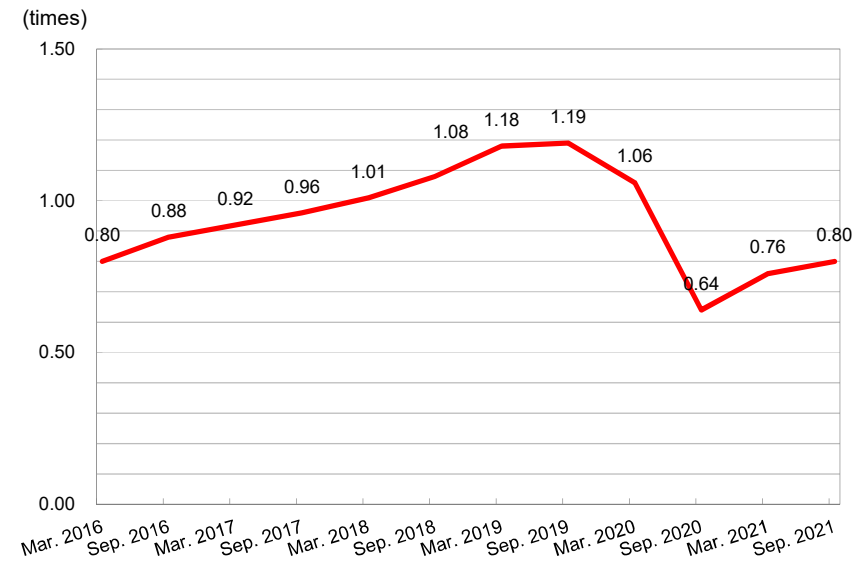
Employment situation

Trends in unemployment rates



Source: Statistics Division, Department of Planning, Okinawa Prefectural Government

Active opening ratio



Source: Okinawa Labour Bureau

Overview

- ◆ The unemployment rate, which had been in a recovery trend, deteriorated significantly due to the impact of COVID-19.

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