

# Okinawa Financial Group Results Briefing Materials



FY2023 1H

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# 1

## Performance Summary



## FY2023 1H Business Performance

¥ million

	FY2023 1H	YoY
<b>Ordinary income</b>	27,664	640
Gross business profit	15,439	(828)
Interest income	14,124	(231)
Fees and commissions	1,716	511
Other business profit	(437)	(1,104)
Operating expenses	12,431	549
Credit cost	527	680
Net gains (losses) on equity securities	1,266	466
<b>Ordinary profit</b>	4,480	(1,634)
Extraordinary gains (losses)	17	72
Total income taxes	1,334	(308)
<b>Net income attributable to owners of the parent</b>	3,163	(1,253)

## Business performance points

### ● Ordinary income

- Increased by ¥640 million year on year to **¥27,664 million**, mainly due to increases in interest on loans and discounts by proactively responding to the financial demand led by economic recovery, fees and commissions due to group partnership and sales promotion, etc., and other business income on core banking operations, despite decreases in other ordinary income and interest and dividends on securities.

### ● Ordinary profit

- Decreased by ¥1,634 million year on year to **¥4,480 million**, mainly due to increases in loss related to securities resulting from revised portfolio, expenses related to renewal of core system, and credit cost due to credit downgrade and the rebound from the reversal of allowance for loan losses in the previous year.

**Revenues increased but earnings decreased** due to the above factors.

### ● Net income attributable to owners of the parent

- Decreased by ¥1,253 million year on year to **¥3,163 million**.

### The Bank of Okinawa

	(¥ million)		
	FY23 1H	FY22 1H	YoY change
Ordinary income	20,546	19,662	884
Gross business profit	14,181	14,847	(665)
Net interest income	14,696	14,615	80
Gains (losses) on cancellation of investment trusts	–	170	(170)
Net fees and commissions	1,064	972	91
Other business profit	(1,579)	(740)	(838)
Expenses (excluding non-recurrent items)	11,190	10,754	436
Personnel expenses	4,433	4,567	(134)
Non-personnel expenses	5,472	5,230	242
<b>Real net business profit</b>	<b>2,991</b>	<b>4,092</b>	<b>(1,101)</b>
<b>Business profit on core banking operations</b>	<b>4,418</b>	<b>4,885</b>	<b>(466)</b>
Excluding gains (losses) on cancellation of investment trusts	4,418	4,714	(295)
Provision of general allowance for possible loan losses	(446)	–	(446)
<b>Net business profit</b>	<b>3,437</b>	<b>4,092</b>	<b>(655)</b>
Non-recurrent items	903	1,740	(836)
Reversal of allowance for loan losses	–	417	(417)
Recoveries of written-off claims	38	66	(28)
Net gains (losses) on equity securities	1,266	800	466
Bad debt disposal	761	46	714
<b>Ordinary profit</b>	<b>4,340</b>	<b>5,832</b>	<b>(1,492)</b>
Extraordinary gains (losses)	17	(52)	70
Income before income taxes	4,358	5,780	(1,421)
Total income taxes	945	1,313	(367)
<b>Net income</b>	<b>3,413</b>	<b>4,467</b>	<b>(1,054)</b>

### Business performance points

#### Ordinary income

Increased by ¥884 million year on year to **¥20,546 million**, mainly due to an increase in business income on core banking operations, such as interest on loans and discounts, other commission received, and interest and dividends on securities, and increases in gain on sale of stocks and other securities and gain on sale of bonds (**increased revenues**)

#### Business profit on core banking operations

Decreased by ¥466 million year on year to **¥4,418 million**, mainly due to an increase in expenses arising for renewal of core system, despite increases in interest on loans and discounts, other commission received, and interest and dividends on securities

#### Ordinary profit

Decreased by ¥1,492 million year on year to **¥4,340 million**, mainly due to increases in loss related to securities resulting from revised portfolio, and credit cost due to credit downgrade and the rebound from the reversal of allowance for loan losses in the previous year, despite the increase in ordinary income (**decreased earnings**)

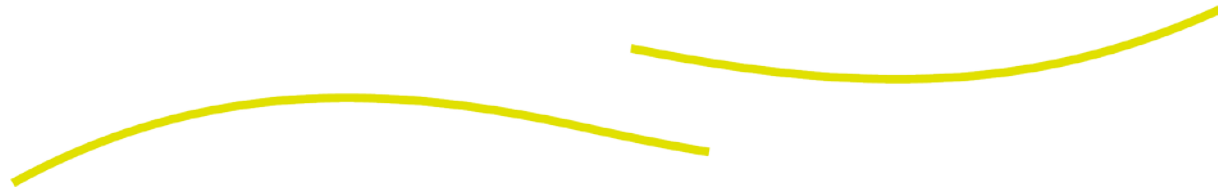
**Revenues increased but earnings decreased due to the above factors.**

### Major group companies

Company name	¥ million			
	FY2023 1H			
	Ordinary profit	YoY	Net income	YoY
Okigin General Lease	254	89	122	35
Okigin JCB	151	(10)	101	(3)
Okigin SPO	38	50	25	33
Okigin Securities	151	29	125	35

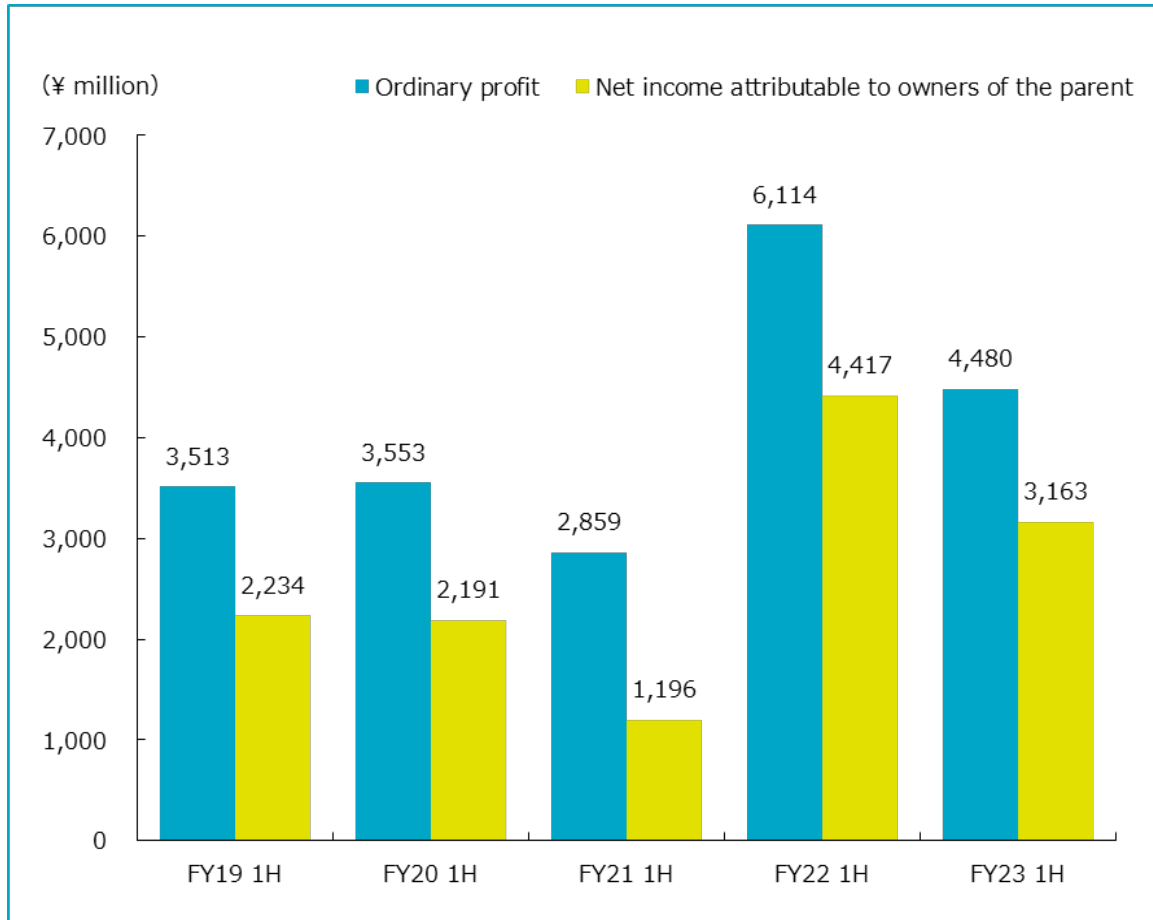
# 2

## Outline of Business Results for FY2023 1H (i) [OFG, Consolidated]



# (1) Ordinary Profit and Net Income Attributable to Owners of the Parent

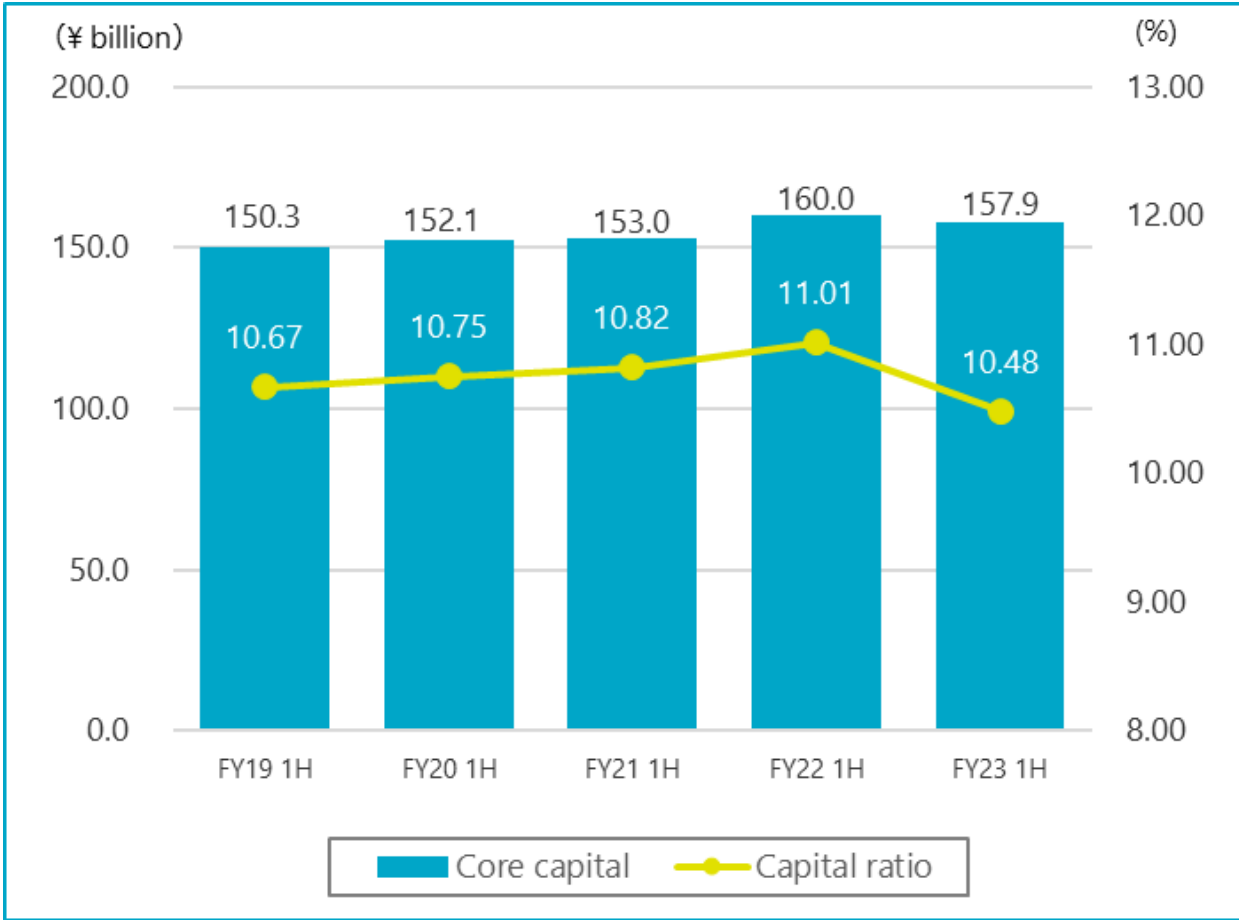
- Ordinary profit decreased by ¥1,634 million year on year to ¥4,480 million, mainly due to a decrease in other business profit and an increase in credit cost, despite an increase in fees and commissions
- Net income attributable to owners of the parent decreased by ¥1,253 million year on year to ¥3,163 million



\* As the Company was founded on October 1, 2021, consolidated figures for The Bank of Okinawa, Ltd. are provided for the periods prior to September 30, 2021 for reference.

# (2) Capital Ratio

- Capital ratio (domestic standard) at 10.48%
- The capital ratio has declined due to a decrease in capital resulting from purchase of treasury stock and increased payment of dividends, and an increase in risk-weighted assets by proactively responding to financial demand, but soundness has been secured.

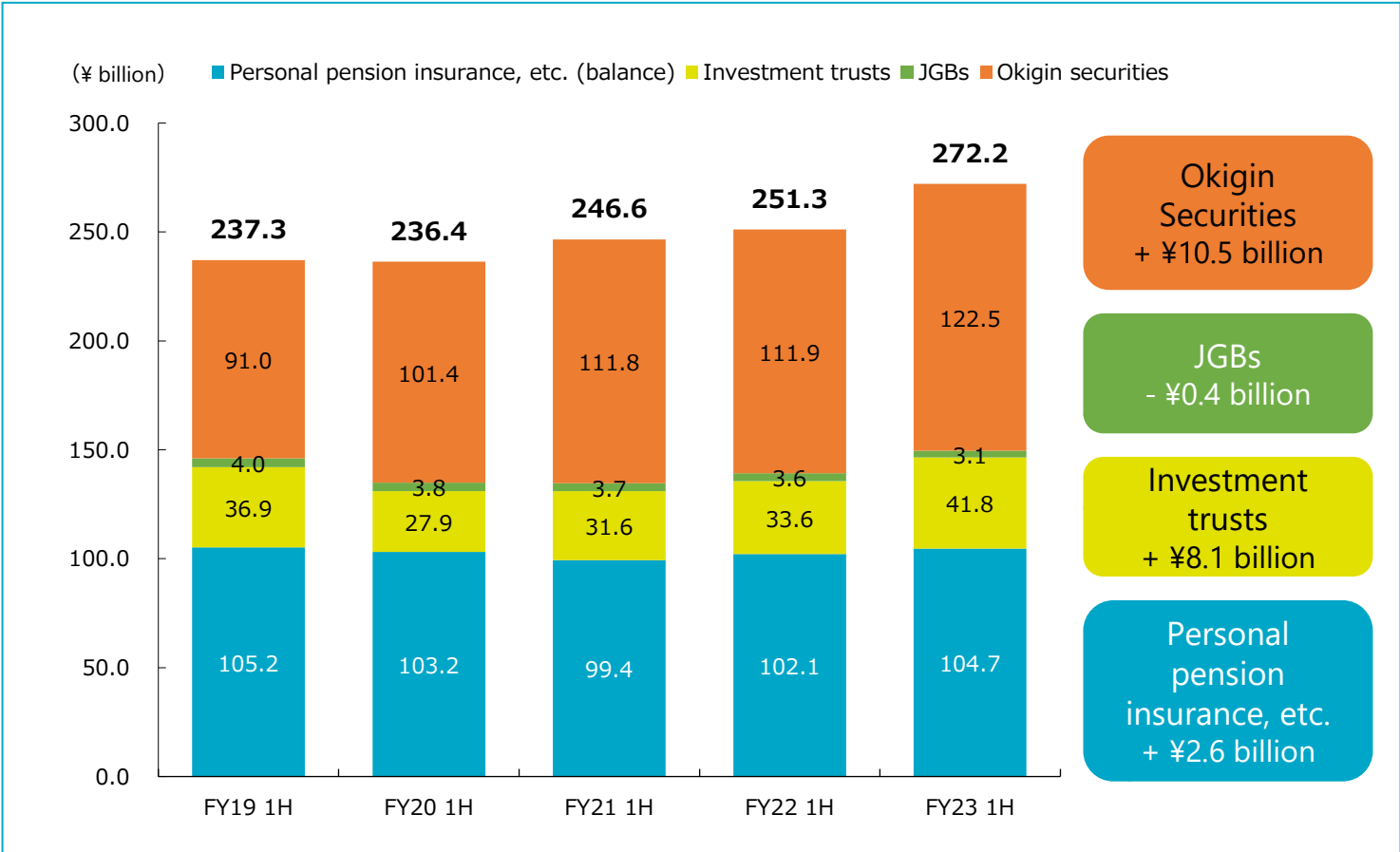


\* As the Company was founded on October 1, 2021, consolidated figures for The Bank of Okinawa, Ltd. are provided for the periods prior to September30, 2021 for reference.



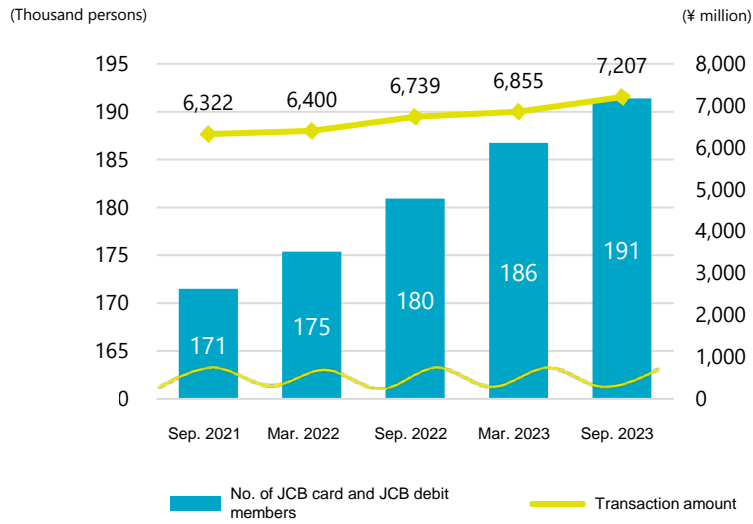
# (3) Assets in Custody

- Assets in custody as a whole (The Bank of Okinawa + Okigin Securities) increased by ¥20.8 billion year on year, mainly due to increases in assets in custody at Okigin Securities, investment trusts, and personal pension insurance, etc., despite a decrease in JGBs.

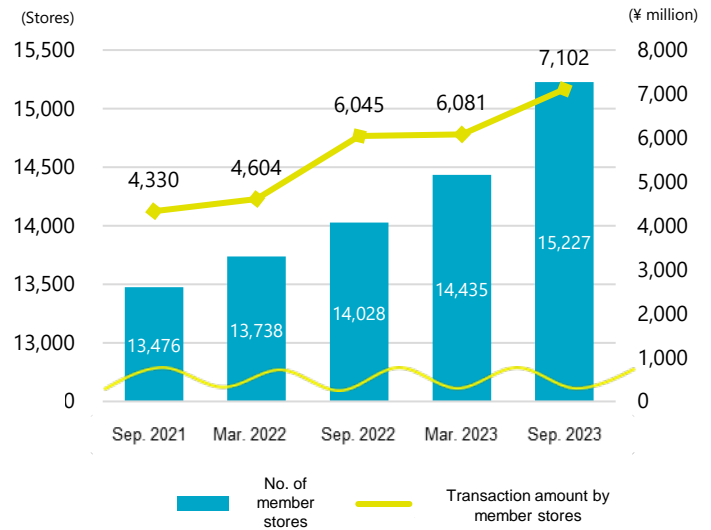


# (4) Cashless Services

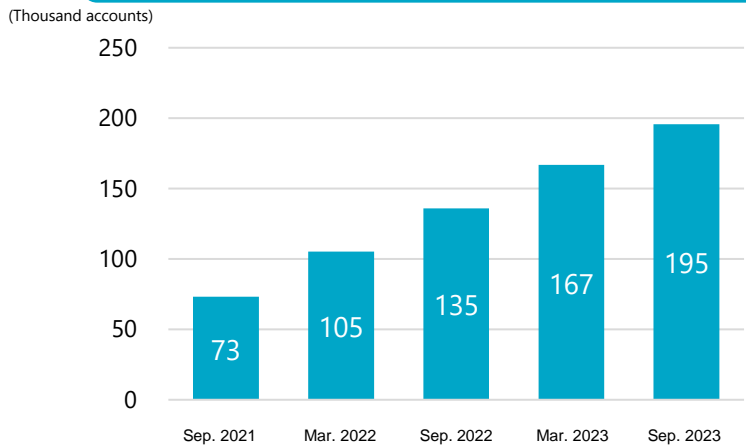
No. of JCB card and JCB debit members and transaction amount



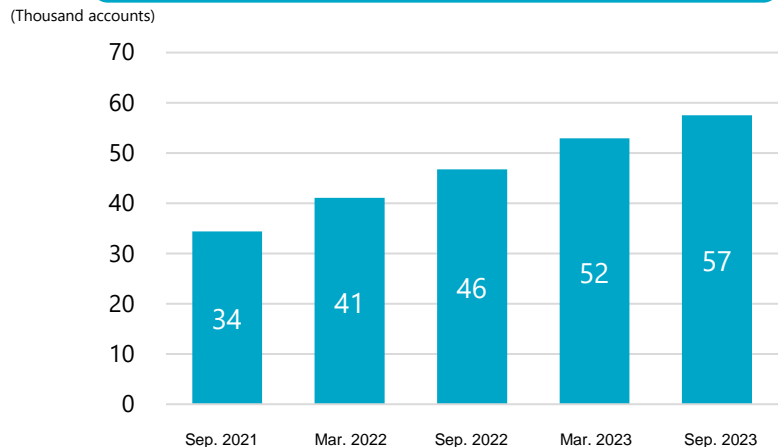
No. of JCB member stores and transaction amount



No. of Okigin Smart registers



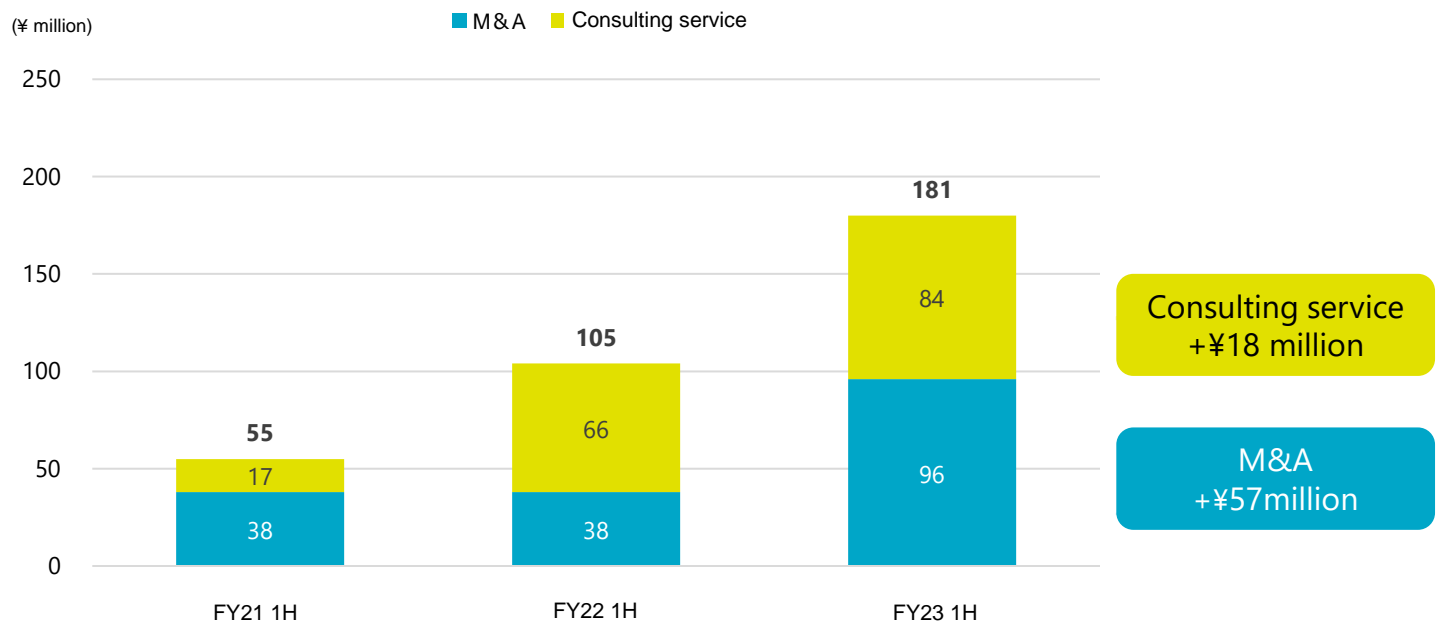
No. of OKI Pay registered accounts



\*Transaction amount and transaction amount by member stores: Monthly average amount used for each fiscal year to which the indicated months belong

- The Company actively engages in non-financial supporting services by leveraging group synergies. M&A and consulting services for the current fiscal year have been solid since the establishment of Future Okinawa, with a year-on-year increase of ¥75 million.

## Income from Customer Supporting Businesses



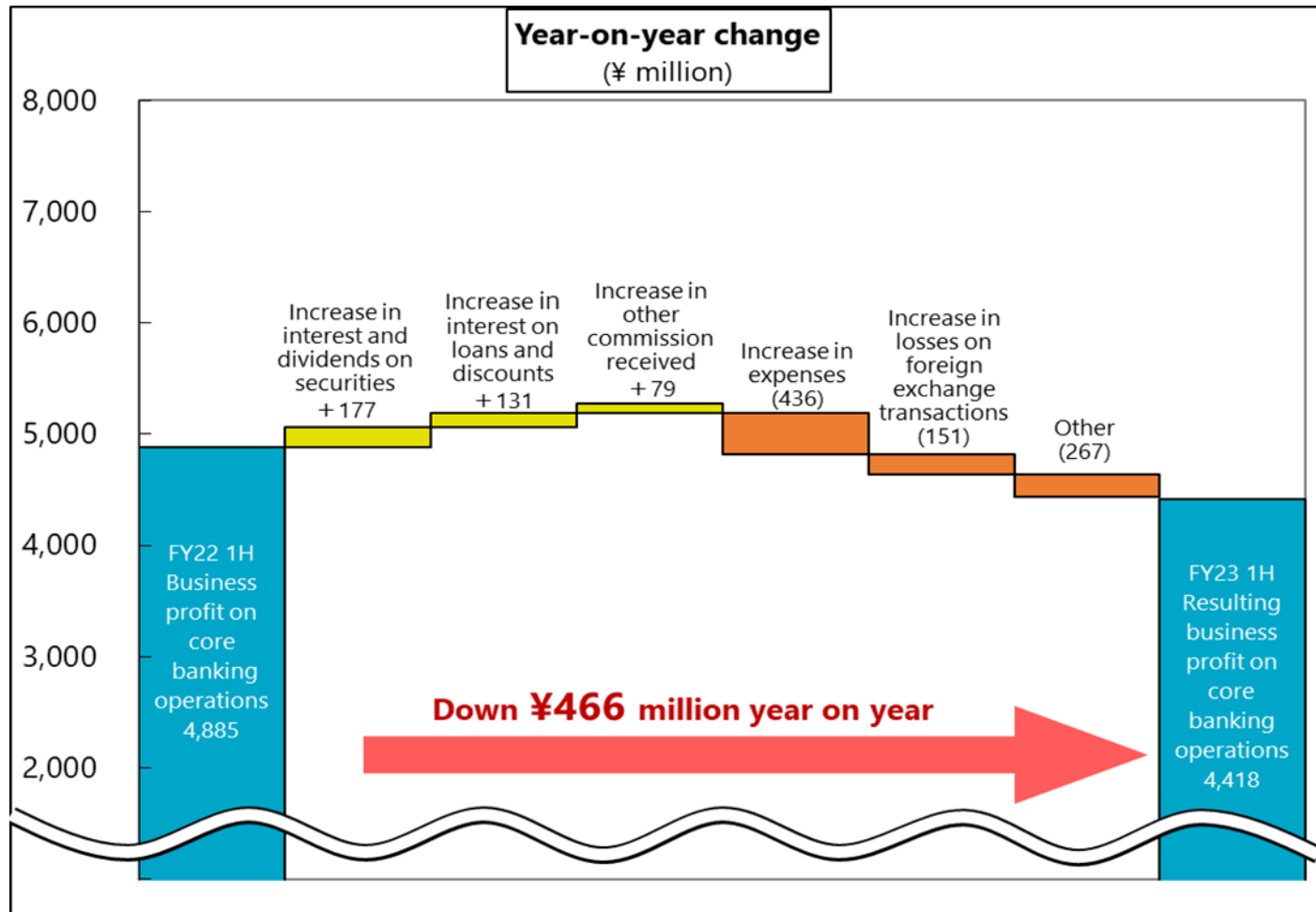
\* Future Okinawa Co., Ltd., a subsidiary of The Bank of Okinawa, was established in June 2021.

# 3

## Outline of Business Results for FY2023 1H (ii) [The Bank of Okinawa, Non-consolidated]

# (1) Changes in Business Profit on Core Banking Operations

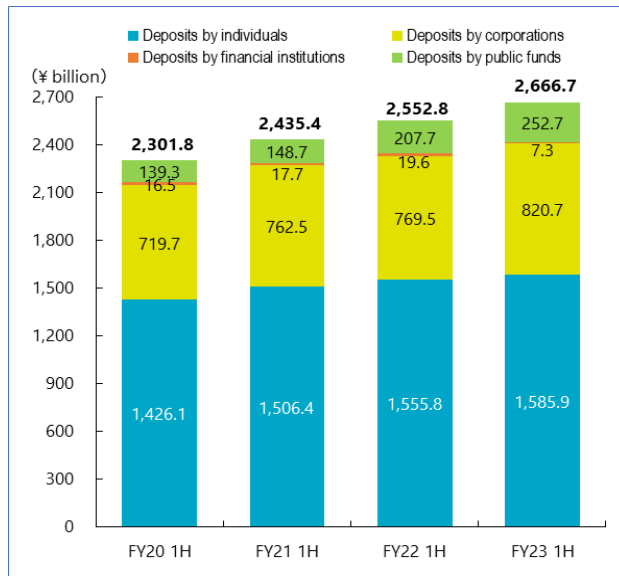
- Business profit on core banking operations decreased by ¥466 million year on year to ¥4,418 million, mainly due to an increase in expenses and an increase in losses on foreign exchange transactions.



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

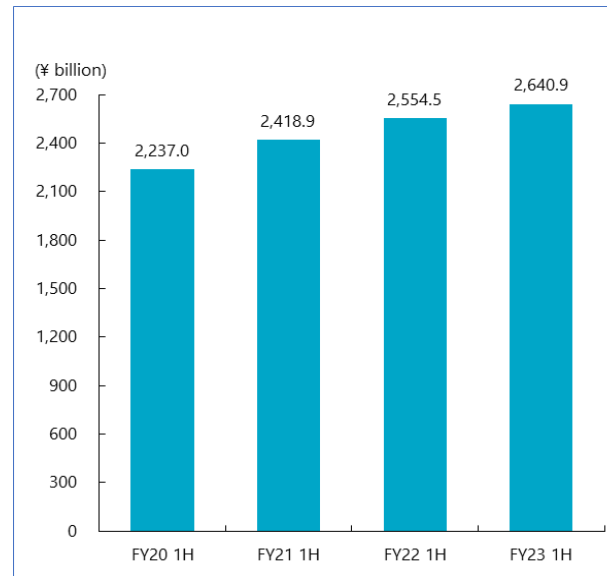
- The term-end balance of total deposits rose by ¥113.8 billion (+4.45%) from the end of the 1H of the previous fiscal year, to ¥2,666.7 billion.
- Deposits by individuals rose by ¥30.0 billion, deposits by corporations rose by ¥51.2 billion and public funds rose by ¥44.9 billion.

### Term-end balance



\*Including trust accounts.

### Average balance



### Deposits by individuals

- Increased due to promoting transactions with employees of business partners

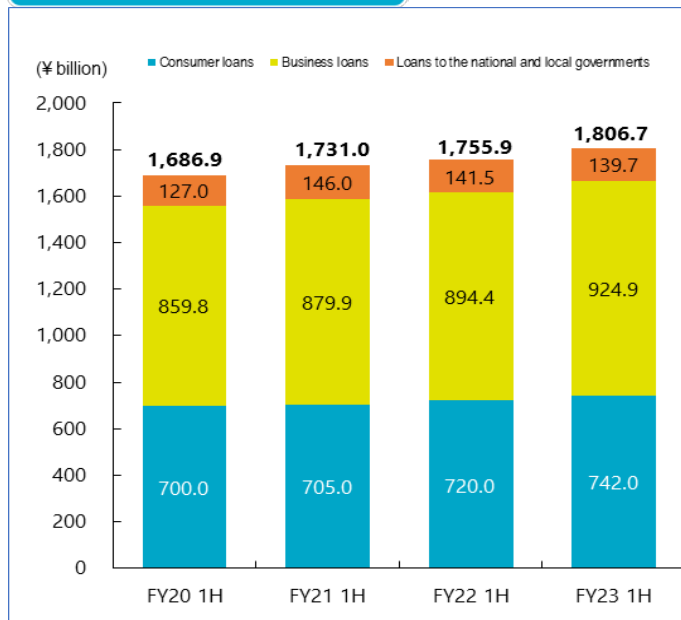
### Deposits by corporations

- Increased due to revitalization of commercial activity after COVID-19 is brought under control

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

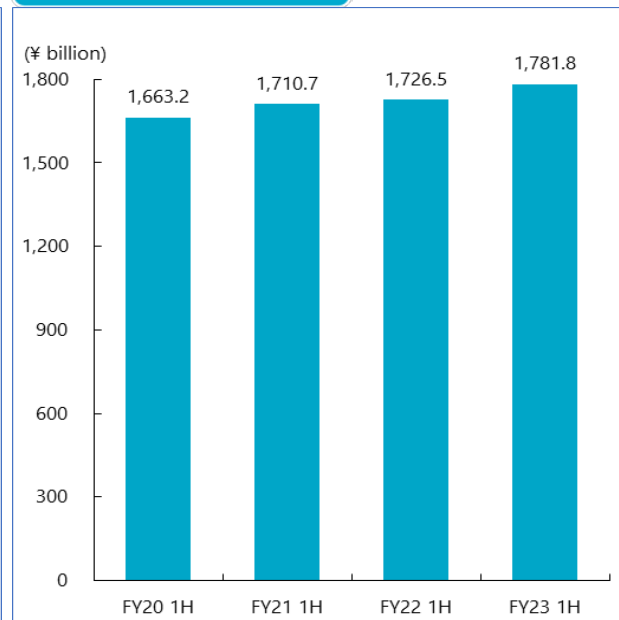
- The term-end balance of total loans and bills discounted rose by ¥50.7 billion (+2.89%) from the end of the 1H of the previous year, to ¥1,806.7 billion.
- Business loans increased by ¥30.4 billion, and consumer loans rose by ¥22.0 billion.

#### Term-end balance



\*Including trust accounts.

#### Average balance



#### Factors for increase in business loans

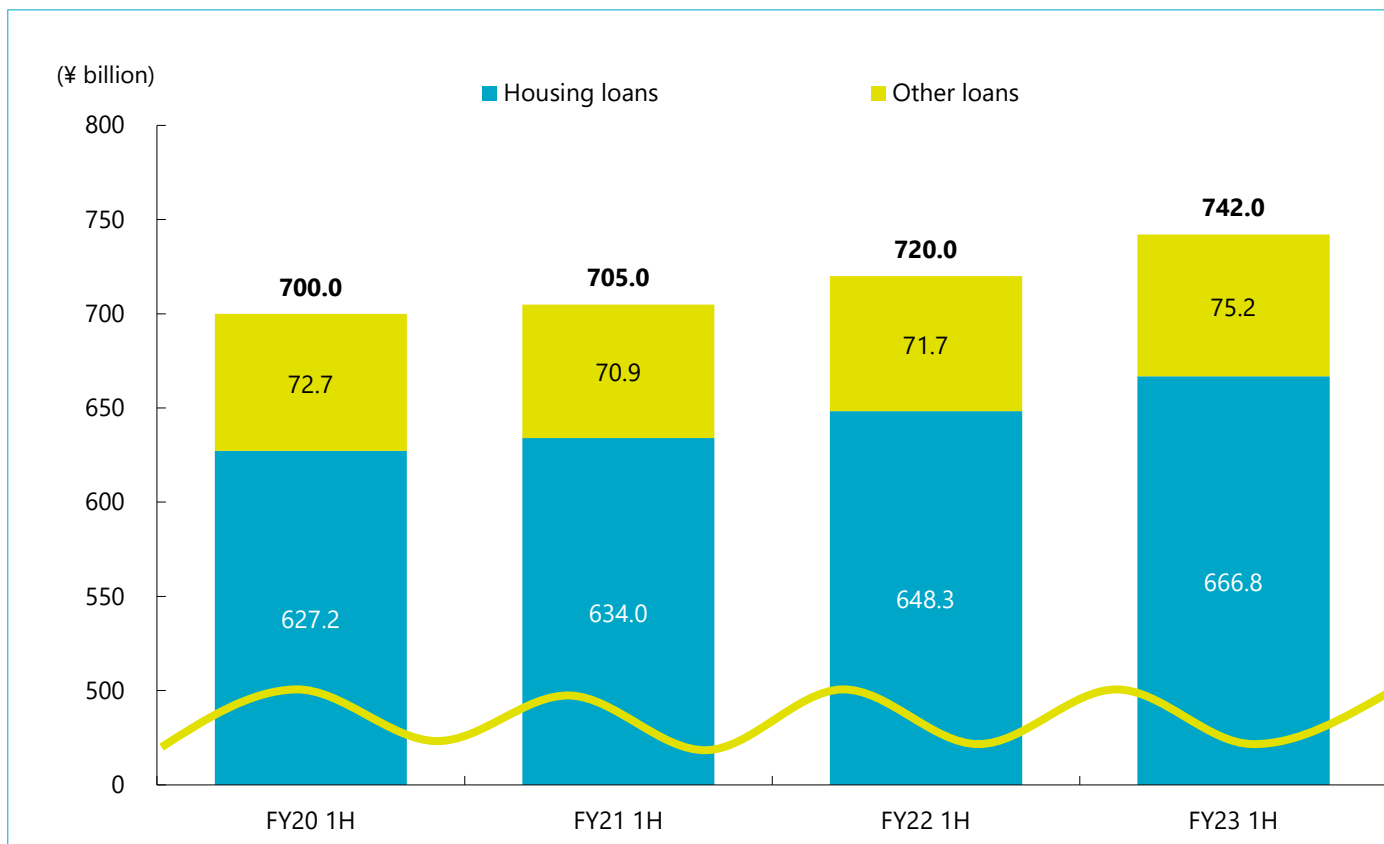
Based on business evaluation, **Active promotion of loans to address funding demands associated with boosted economic activities**

#### Factors for increase in consumer loans

**Increase in housing / condominium loans due to strengthened relationships with house-builders, and measures such as speedy examination of loans and other initiatives**

## (4) Consumer Loans (Term-End Balance)

- Consumer loans rose by ¥22.0 billion (+3.06%) from the end of the previous fiscal year to ¥742.0 billion.
- Of these, housing loans rose by ¥18.5 billion and other loans rose by ¥3.5 billion.



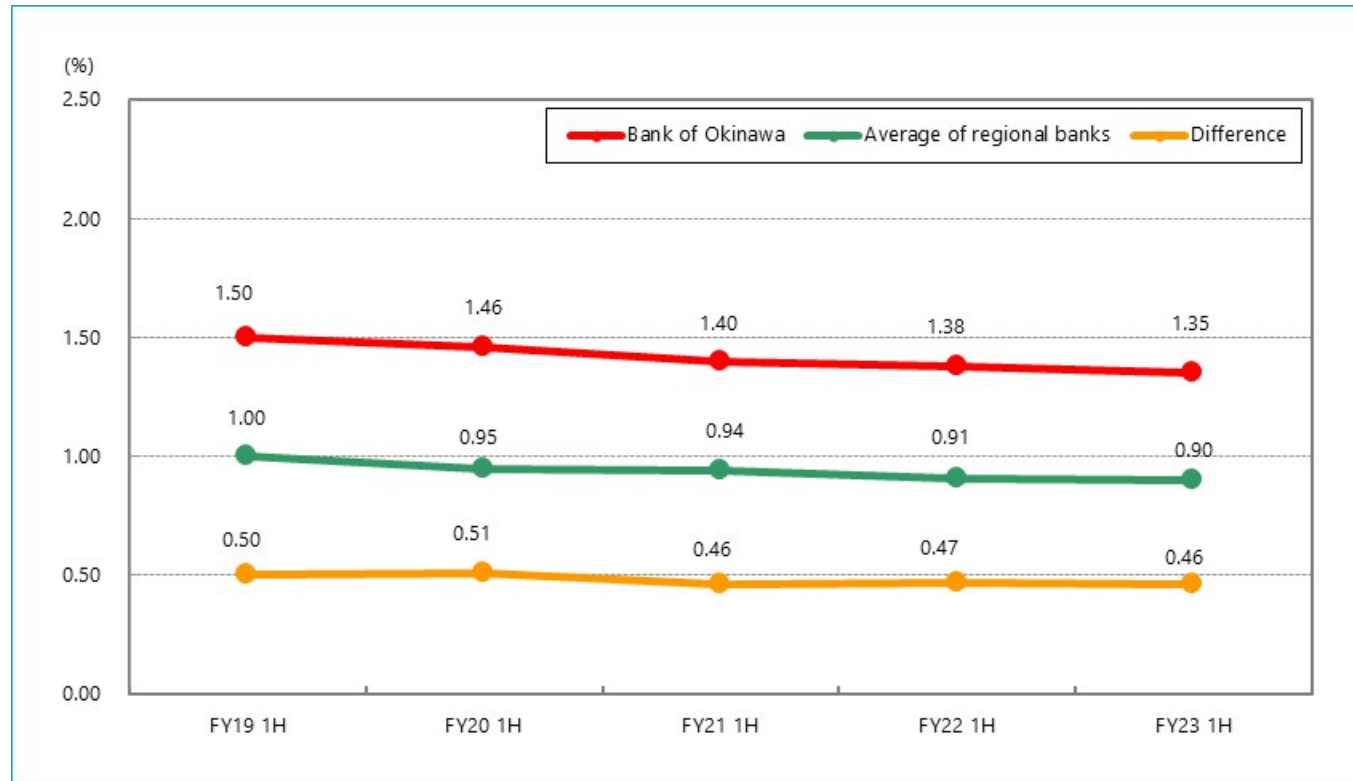
\*Including trust accounts.

\*Consumer loans: Loans provided as funds closely tied to customer lifestyles. Typically referred to as personal loans or consumer loans



# (5) Loan / Deposit Spreads (Domestic)

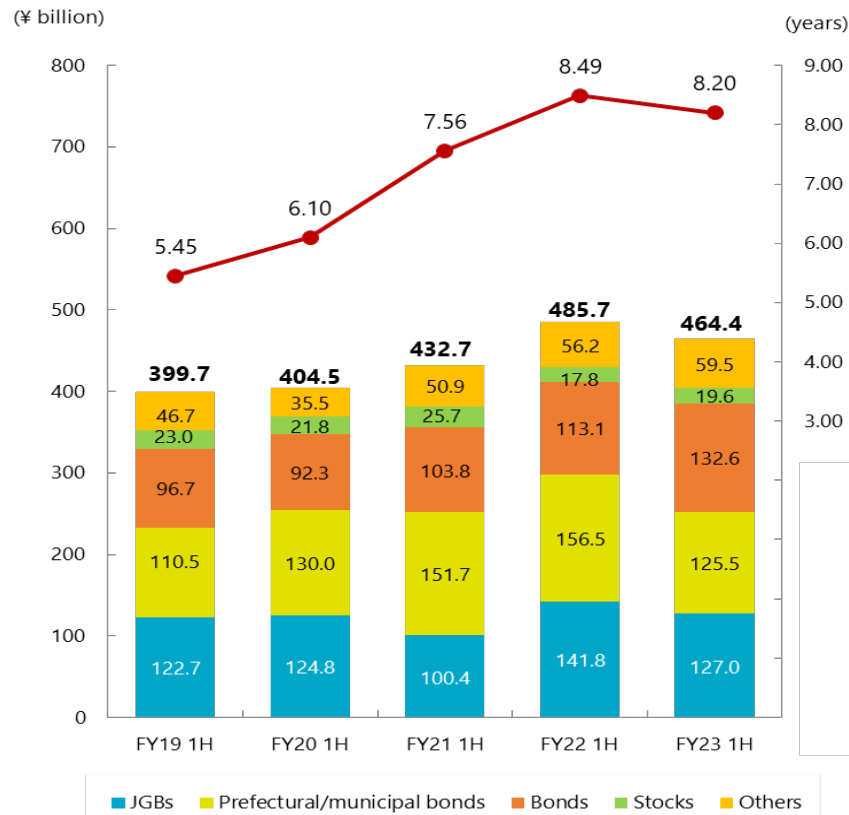
## Loan / Deposit Spreads with Regional Bank Averages



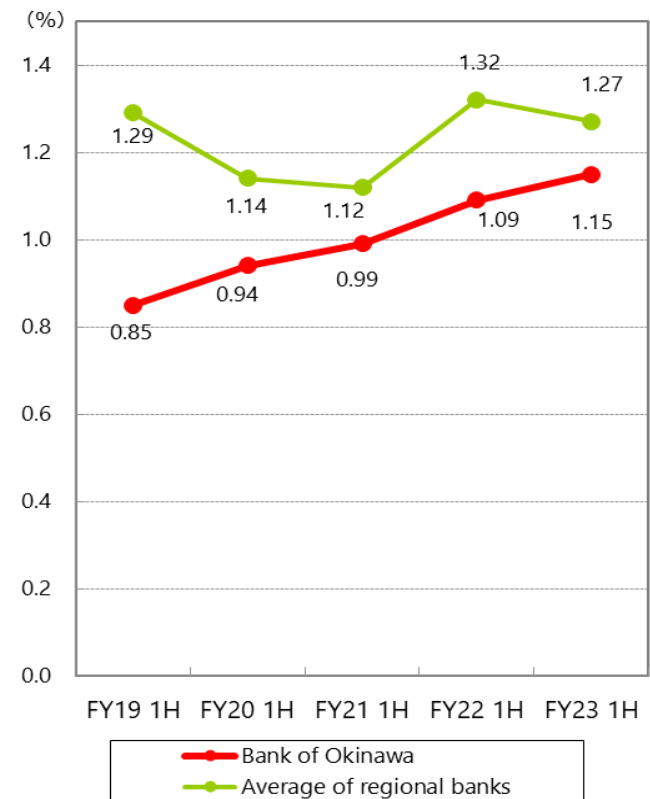
Averages of regional banks are prepared by the Bank based on the financial results of regional banks posted on the website of the Regional Banks Association of Japan.  
However, because data for 1H (ending September 30) is published in December each year, the average of regional banks for FY22 is used for FY23 1H.

# (6) Securities (Term-End Balance)

### Term-end balance and yen bond durations



### Yield on securities

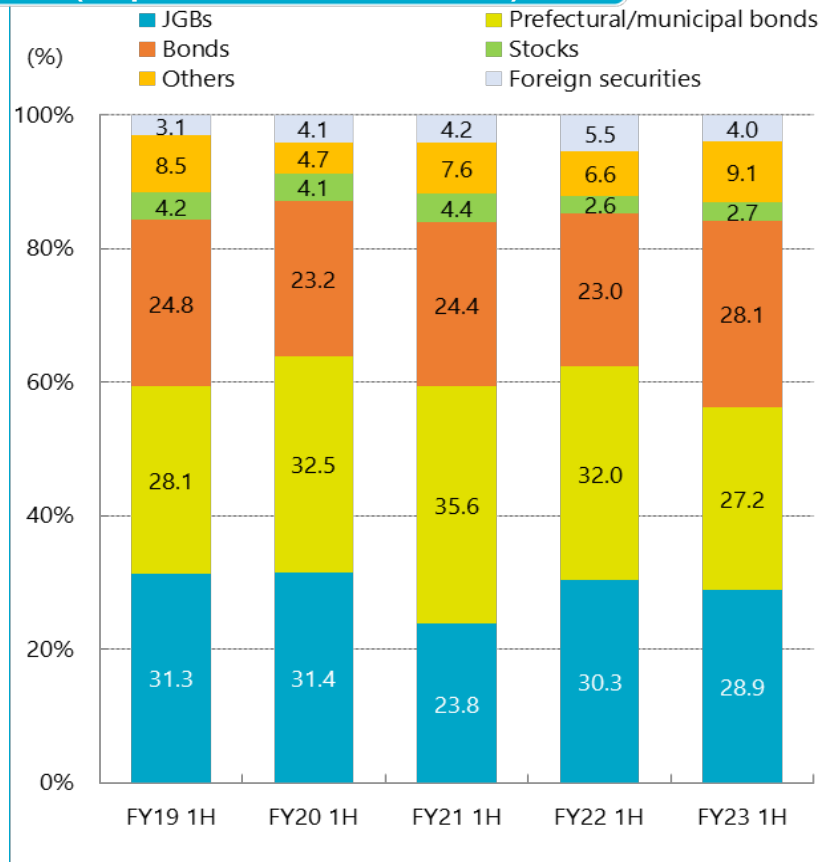


\*Please see P17 for details on the calculation of averages of regional banks

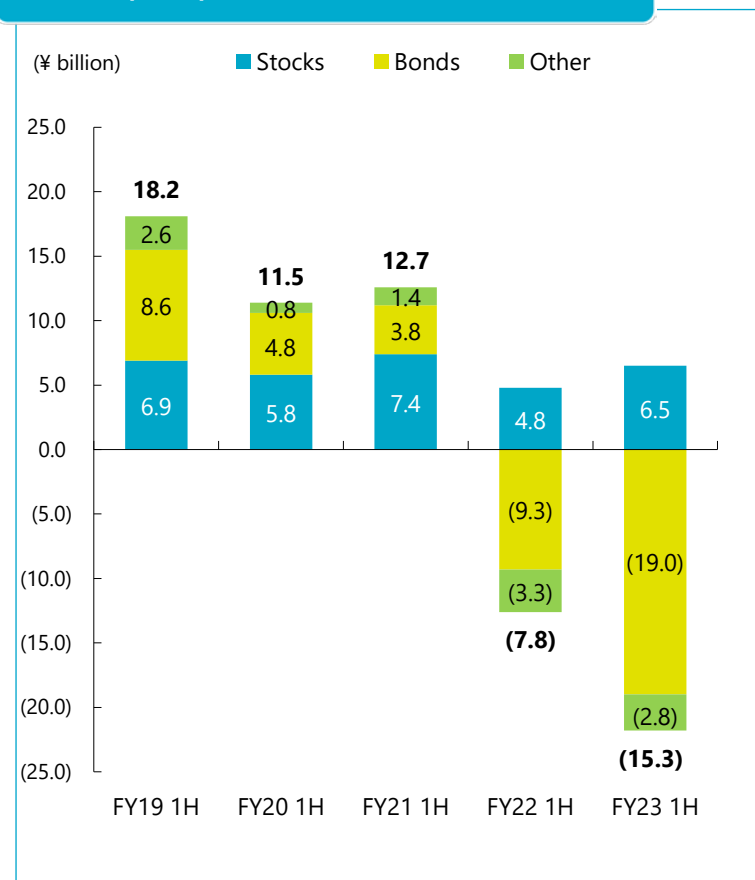
# (7) Securities Allocation and Changes in Valuation Gain/Loss

- Continuation of rebalancing from yen bond holdings. Gain on valuation of securities decreased by ¥7.5 billion year on year, to ¥(15.3) billion.

Securities composition percentage  
(acquisition cost at term-end)



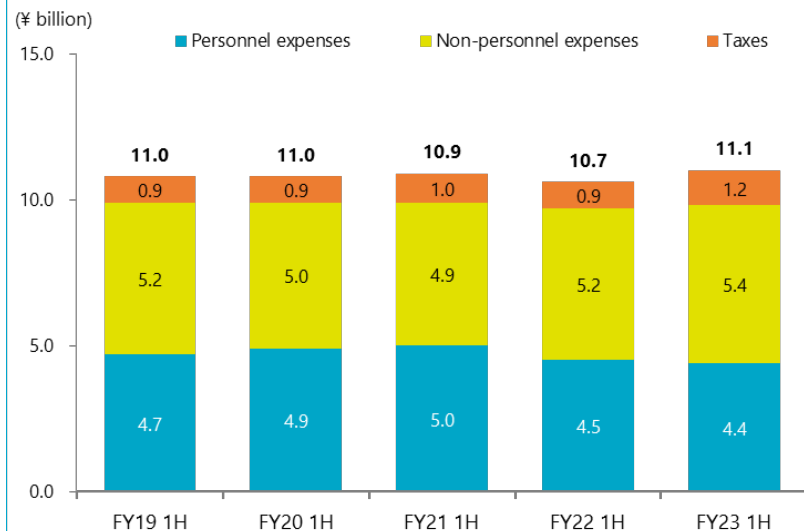
Gain (loss) on valuation of securities



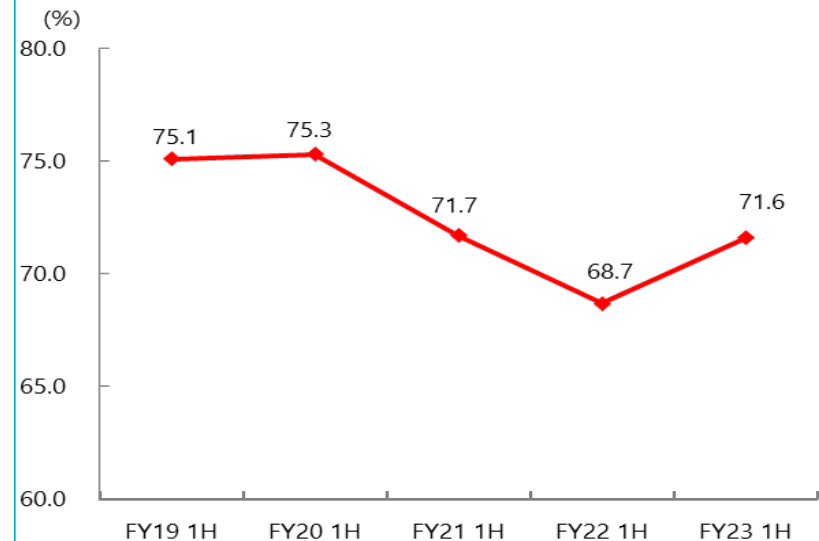
## (8) Expenses

- Expenses increased by ¥400 million year on year due to increases in non-personnel expenses and taxes, despite a decrease in personnel expenses.
- Core OHR was 71.6%, up 2.9 percentage points year on year, due to the decrease in business profit on core banking operations.

### Expenses



### Core OHR

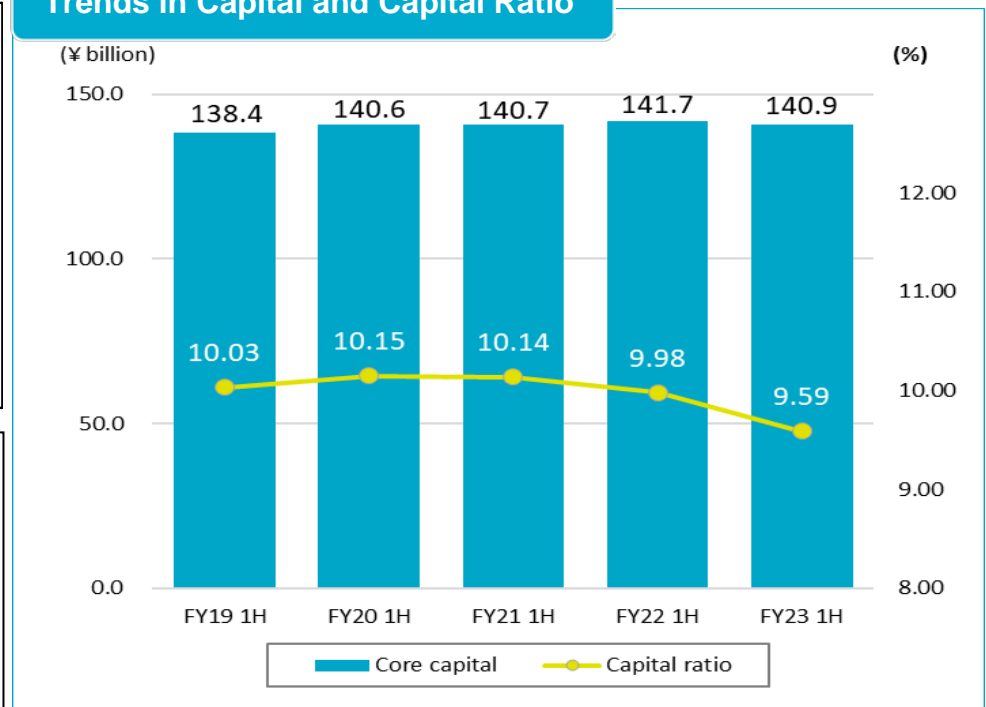


# (9) Capital Ratio

- Capital ratio (domestic standard) at 9.59%
- The capital ratio has dropped due to a decrease in capital, but soundness has been secured.

	(¥ million, %)		
	FY23 1H	FY22 1H	YoY change
Capital ratio	9.59	9.98	(0.39)
Capital	140,934	141,755	(820)
Basic elements of core capital	143,636	144,247	(610)
Adjustments to core capital (-)	2,702	2,492	210
Risk-weighted assets	1,469,284	1,420,047	49,237

## Trends in Capital and Capital Ratio



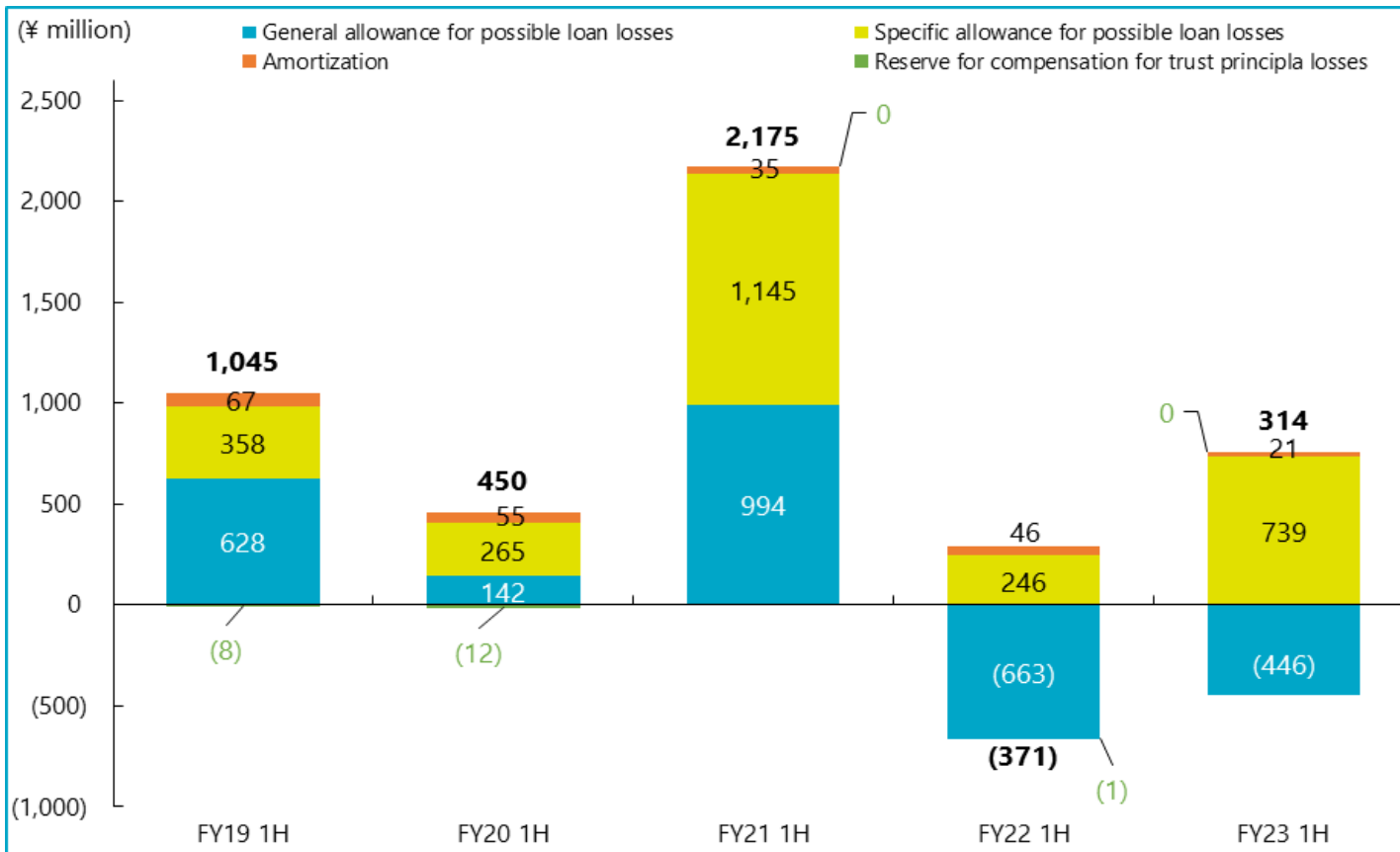
While risk-weighted assets increased due to an increase in loans associated with resumption of economic activities, the non-consolidated capital ratio for The Bank of Okinawa has declined due to a decrease in capital because of increased payment of dividends to the parent company (OFG).

The capital ratio of the Bank is below the average non-consolidated capital ratio of 10.01% of domestic standard regional banks in FY2022, but soundness has been secured.

\*Please see P17 for details on the calculation of averages of regional banks

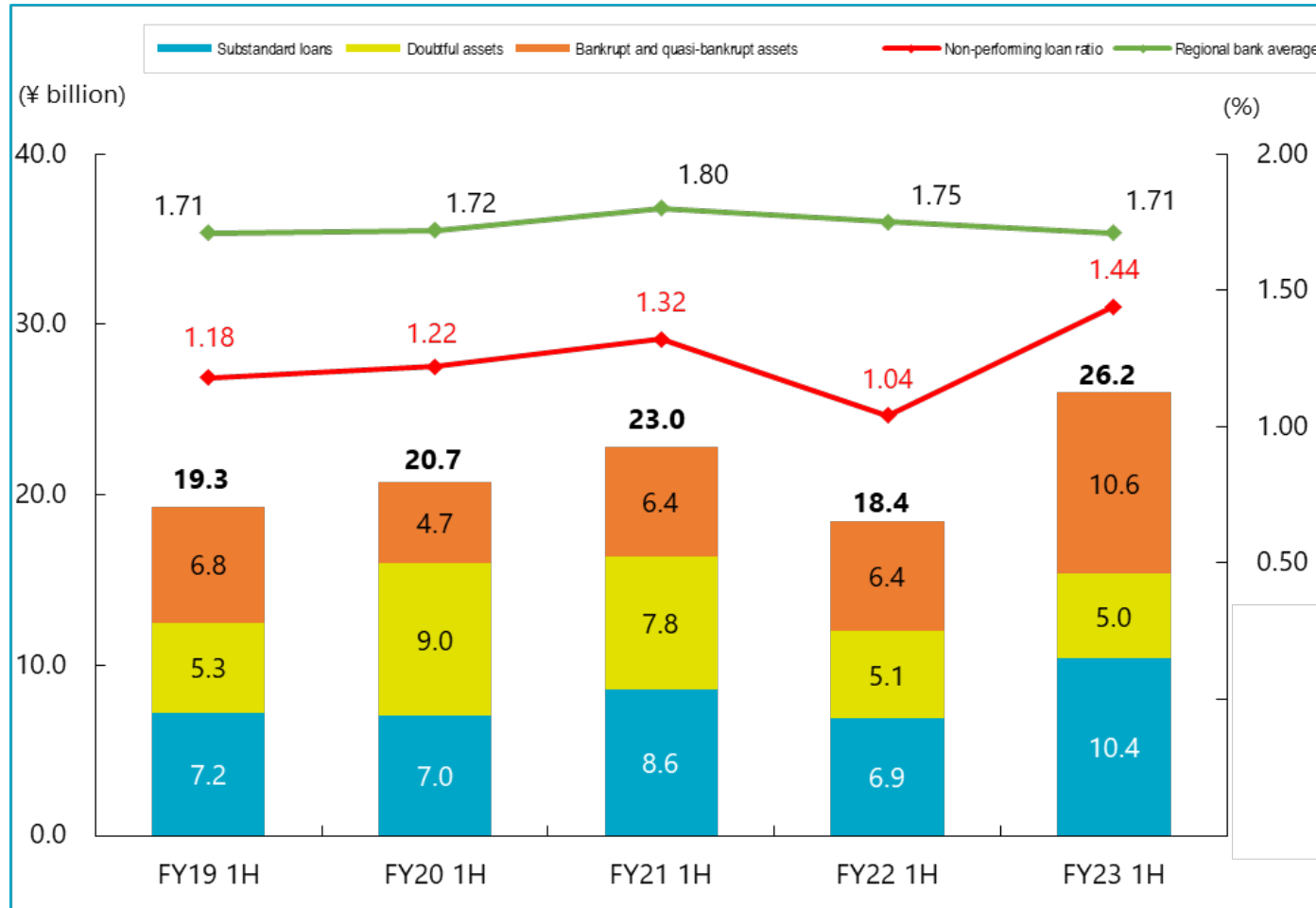
# (10) Credit Cost

- In overall terms, credit cost increased by ¥686 million year on year to ¥314 million.



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

- ¥26.2 billion (non-performing loan ratio: 1.44%)
- Remained at low level, below the regional bank average of 1.71%

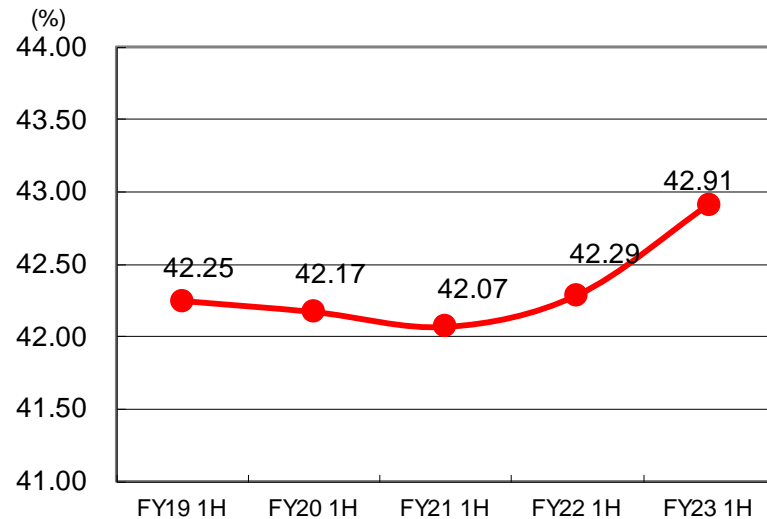


\*Please see P17 for details on the calculation of averages of regional banks

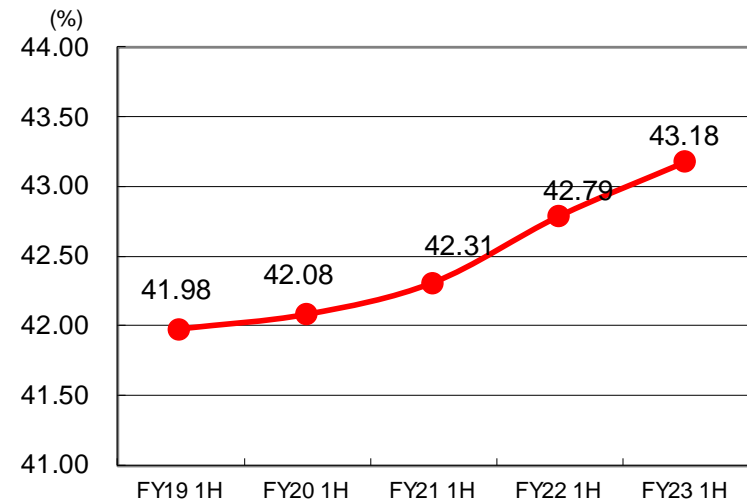
(12) Our Share of the Market Served by the Three Okinawan Regional Banks

- The share of loans and bills discounted and deposits both remained at a high level
- Loans and bills discounted: 42.91% (up 0.62 percentage points YoY)
- Deposits: 43.18% (up 0.39 percentage points YoY)

**Loans and bills discounted  
(average balance share)**



**Deposits  
(average balance share)**





# (13) Business Profit on Customer Services

	FY21 1H	FY22 1H	FY23 1H
			(¥ million, %)
(1) Loans and bills dicounted average balance	1,709,787	1,725,533	1,780,782
(2) Yield on loans and bills dicounted	1.406	1.384	1.356
(3) Yield on deposits	0.007	0.004	0.003
(4) Loan / deposit spread ((2) - (3))	1.399	1.380	1.353
(5) Net fees and commissions	952	972	1,064
(6) Operating expenses	11,054	10,886	11,362
(7) Business profit on customer services	1,890	2,025	1,781
(8) Deposits average balance	2,403,749	2,541,483	2,628,796
(9) Business profit margin on customer services	0.156	0.158	0.135

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

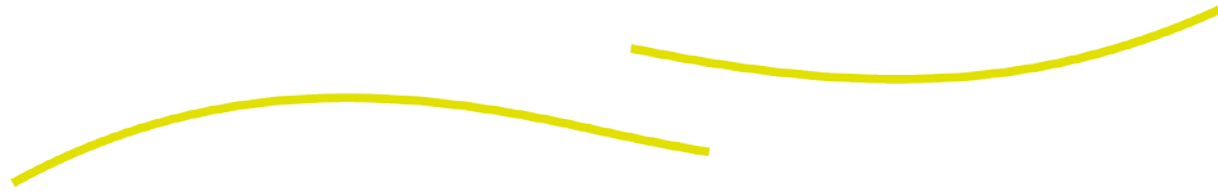
\* $(9) = (7) \div (8) \times 100$

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

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

# 4

## Outline of the 1st Medium-Term Business Plan



# (1) Outline of the Medium-Term Business Plan

Name

Group Vision

Four Pillars

## 1st Medium-Term Business Plan (October 2021 – March 2024) Create Value & Innovation - Co-creating a “new” Okinawa experience -

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

Strategy I	Strategy II	Strategy III	Strategy IV
Group strength to lead the regional community	Provide services through a market-in approach	Optimization of group management resources	Human resources development to lead Group growth
 <ul style="list-style-type: none"> <li>Strengthen the Group governance function and further strengthen Group solidarity through the transition to a holding company structure</li> <li>Strengthen collaboration within the Group and with outside companies, aiming for the integration of financial and non-financial domains</li> <li>Build Group strength to achieve sustainable development, addressing regional development, regional issues, and improving productivity</li> </ul>	 <ul style="list-style-type: none"> <li>Integration of human touch and digital services to meet customer needs</li> <li>Provide solutions services through intra-Group collaboration</li> </ul>	 <ul style="list-style-type: none"> <li>Allocate management resources to growth areas to create the non-financial domain and strengthen competitive advantages in the financial domain</li> <li>Shift management resources to the human touch through continuing operational reforms</li> </ul>	 <ul style="list-style-type: none"> <li>Enhance consulting capacity to contribute to problem solving and quality asset formation</li> <li>Establish Group training systems to enable the Group to provide a one-stop service</li> </ul>

Basic Policy

### Further advancement of Group governance

Group Governance	Group Synergies	Risk Governance	Compliance
<ul style="list-style-type: none"> <li>Establish Group-wide strategy and monitor implementation at each company</li> <li>Expedite business execution by transferring authority to each company</li> </ul>	<ul style="list-style-type: none"> <li>Establish a platform to provide one-stop service</li> <li>Open innovation through collaboration and alliances with external companies</li> </ul>	<ul style="list-style-type: none"> <li>Establish risk management preparedness across the Group</li> <li>Continue to strengthen cybersecurity measures</li> </ul>	<ul style="list-style-type: none"> <li>Ensure thorough understanding of compliance based on principles</li> <li>Continue to strengthen measures to combat money laundering and the financing of terrorism</li> </ul>

# (2) Business Model under the Holding Company Structure

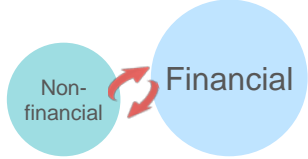
**Become a full-service group with finance at its core that leads the region through self-transformation that adapts to changes in the environment**

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**

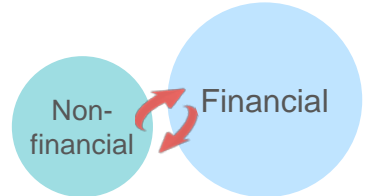
**Financial and non-financial full-service group**

**Full-service financial group with a focus on banking**



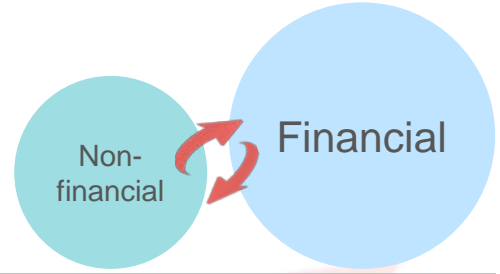
Loans, leases, and credit cards  
 Asset management, insurance  
 Business succession, M&As, business matching

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



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

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



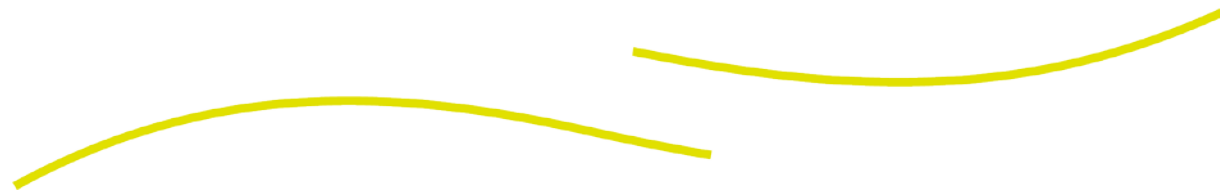
Regional problem-solving solutions  
 Expansion of new customer experience services

- 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

## Status of Efforts on Medium-Term Business Plan



# (1) Strategy I Group Strength to Lead the Regional Community (i)

## ■ Signed a comprehensive partnership agreement with 10 towns and villages in remote islands

### <Purpose>

- Partnership for regional development and prosperity of communities in remote islands

### <Contents>

- Signed a comprehensive partnership agreement with Zamami Village in March 2022
- As part of regional revitalization efforts based on the comprehensive partnership agreement, held a CS seminar for employees of Zamami village office
- Signed a comprehensive partnership agreement with 9 towns and villages in remote islands in January 2023
- Analyzed the current status of issues on each remote island based on open data and implemented measures to solve them



### <Municipalities that signed the agreement (in the Japanese syllabary order)>

Aguni Village (Mayor Shuichi Takara), Ie Village (Mayor Masahide Nashiro), Izena Village (Mayor Mamoru Okuma), Iheya Village (Mayor Ritsuo Naka), Kitadaito Village (Mayor Mitsumasa Miyagi), Kumejima Town (Mayor Hideo Toubaru), Zamami Village (Mayor Tetsu Miyasato), Tokashiki Village (Mayor Takehiro Shinzato), Tonaki Village (Mayor Akira Higa), Minamidaito Village (Mayor Toshiharu Aragaki)

## ■ Donations to 3 towns and villages in remote islands using a taxation system to support local revitalization (Corporate version of Hometown Tax)

### <Purpose>

- Local revitalization through supporting municipalities' local development projects

### <Contents>


- Strengthen support to towns and villages in remote islands based on a comprehensive partnership agreement
- Donations of ¥5 million each (for a total of ¥15 million) to 3 towns and villages (Kumejima Town, Zamami Village, and Kitadaito Village)



# (1) Strategy I Group Strength to Lead the Regional Community (ii)

## ■ Supporting the TCFD recommendations

Okinawa Financial Group perceives the environment and climate change response as key issues, and actively engages in and strengthens efforts for information disclosure in line with the TCFD recommendations.



**TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES**

TCFD is an abbreviation for the Task Force on Climate-related Financial Disclosures, which was established by the Financial Stability Board (FSB) in December 2015, based on a request of G20 Finance Ministers and Central Bank Governors Meeting, for the purpose of considering climate-related disclosures and financial institutions' responses to climate change. TCFD announced recommendations to promote appropriate disclosure of information on climate change factors in June 2017.

## ■ Established CO<sub>2</sub> emissions reduction targets as Okinawa Financial Group

Based on the Okinawa Financial Group Sustainability Policy, we established CO<sub>2</sub> emissions reduction targets (Scope 1 and Scope 2) by FY2030, in order to promote sustainability management for resolving environmental and societal issues.

	FY2030 Target
Scope 1: Direct emissions from the consumption of owned or controlled sources (gas, gasoline, etc.)	<b>Achieve carbon neutrality (*), or net zero</b>
Scope 2: Indirect emissions from the generation of purchased energy (use of electricity and heat, etc.)	

\* Deduct from CO<sub>2</sub> emissions the sum of CO<sub>2</sub> absorption and CO<sub>2</sub> removal and set the total to zero

### <Measures for the target>

- Switch to renewable energy-derived electricity; Utilize renewable energy (introduce solar power generation equipment); Transform corporate facilities to ZEB;
- Introduce energy-efficient power supply devices; Electrify inhouse vehicles;
- Adopt carbon offsetting



# (1) Strategy I Group Strength to Lead the Regional Community (iii)

## Comprehensive partnership with The Okinawa Electric Power Company to achieve a decarbonized society

<Partnership>

- We introduced “Uchina – CO<sub>2</sub>-free Menu” at our headquarters building

<Partnership going forward>

- Initiatives to expand the introduction of renewable energy
- Initiatives to expand the introduction of, and transition to, environmentally-friendly energy

- Educational activities aimed at achieving a decarbonized society
- Educate the next generation in the region, and other forms of collaboration in line with the purpose of the agreement

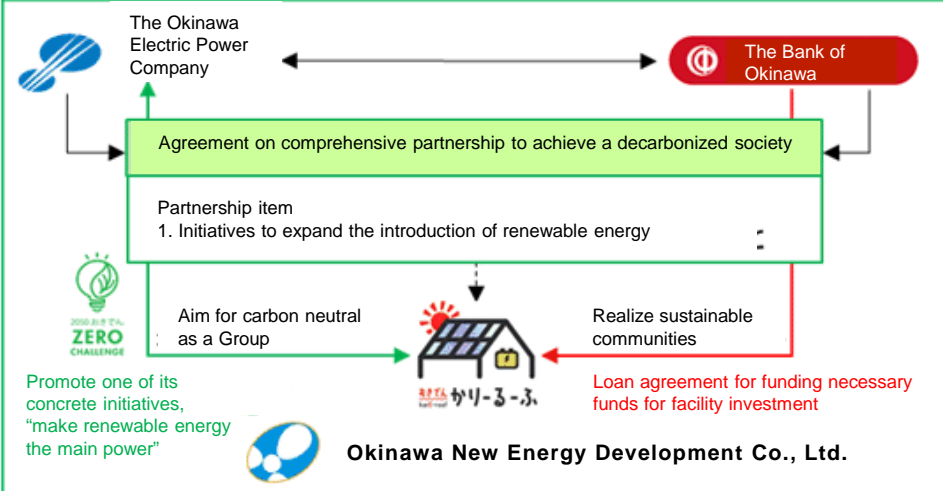


## Provision of loans for expanded introduction of The Okinawa Electric Power Group’s karE-roof (Borrowing roof)

To expand introduction of karE-roof\* (Borrowing roof) business provided by Okinawa New Energy Development Co., Ltd. of The Okinawa Electric Power Group, we concluded a loan agreement for funding necessary funds for facility investment.



(\* ) A service to install solar power generation equipment and storage batteries with zero initial investment to be borne by customers. The generated electricity is sold to customers.



[Status of karE-roof introduction] (FY2021)

- Solar power generation equipment: approx. 836 kW
- Amount of CO<sub>2</sub> reduction: approx. 826 t-CO<sub>2</sub>/year



# (1) Strategy I Group Strength to Lead the Regional Community (iv)

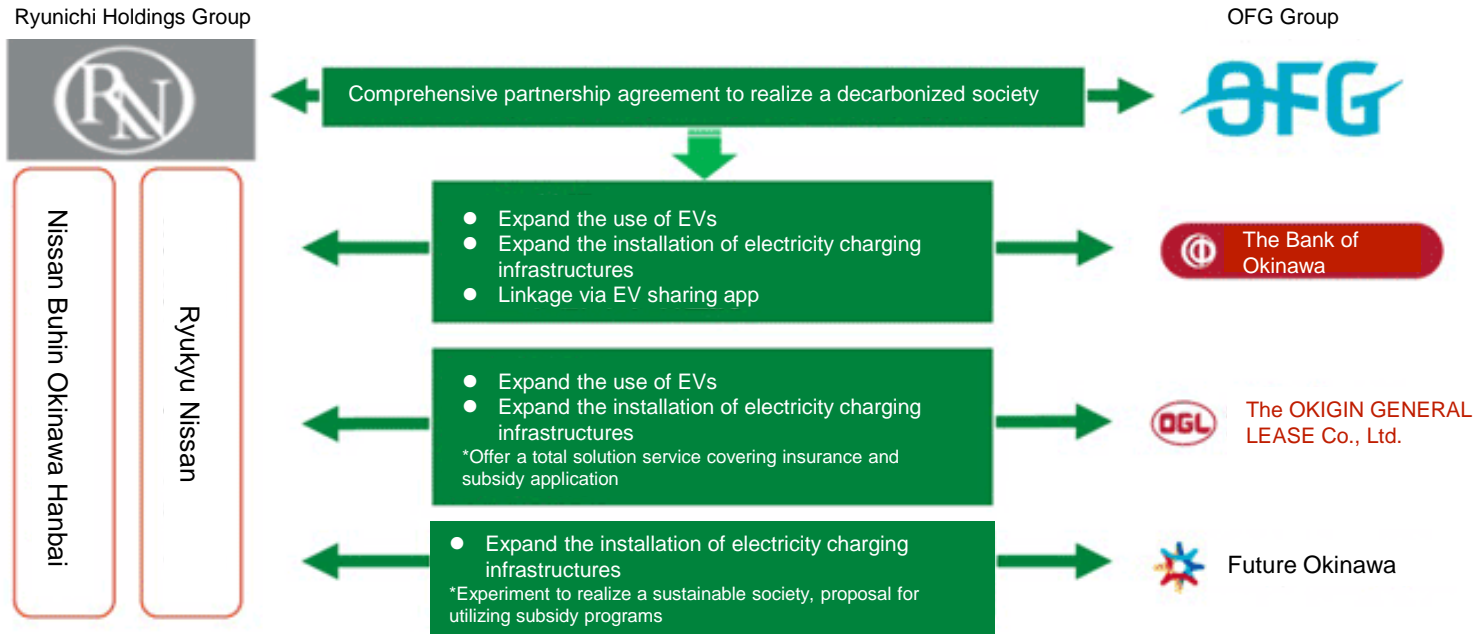
■ Signed a comprehensive partnership agreement with Ryunichi Holdings, Inc. to realize a decarbonized society

<Purpose>

- Resolve local issues to realize a decarbonized society and achieve a sustainable society in Okinawa Prefecture

<Contents of partnership>

- Initiatives to expand the use of EVs with consideration for reducing environmental impact
- Initiatives to expand the installation of electricity charging infrastructures with consideration for reducing environmental impact
- Initiatives to expand the use of carsharing utilizing digital technologies
- Educational activities aimed at achieving a decarbonized society, etc.



\*Both Groups are to sign individual agreements with group companies as needed

# (1) Strategy I Group Strength to Lead the Regional Community (v)

## ■ Signed a comprehensive partnership agreement with Okinawa Toyota Group to achieve a sustainable society

### <Purpose>

- Resolve issues in Okinawa Prefecture according to the SDGs philosophy and achieve a sustainable society

### <Contents of partnership>

- i. Measures to solve environmental issues in the regional community
- ii. Measures to solve social issues in the regional community
- iii. Educational activities aimed at achieving a sustainable society, etc.

### <Future plans>

- i. Collaboration to increase the use of hydrogen energy for achieving a decarbonized society
- ii. Establish a traffic congestion-control measures in the prefecture to enhance its regional productivity:  
Including promotion and expansion of carsharing by establishing MaaS\* and leveraging digital technologies  
\*MaaS (Mobility as a Service): a next generation mobility service through hybrid technology including autonomous driving and AI
- i. Initiatives to enhance our employees' environmental literacy through eco-driving promotion activities and cohosted beach cleanup activities, etc.



# (1) Strategy I Group Strength to Lead the Regional Community (v)

## ■ Signed a comprehensive partnership agreement with Microsoft Japan and opened Microsoft Base Naha

### <Purpose>

- Strengthen DX support system for enterprises in Okinawa Prefecture; Strengthen systems to contribute to increasing productivity and expanding sales and profit

### <Contents>

- i. DX awareness programs to enterprises in the prefecture (seminars, information distribution in cooperation with Microsoft Japan)
- ii. Operation and utilization of Microsoft Base Naha by Future Okinawa (distribution of DX information, hands-on experience of cutting-edge technologies, etc.)



## ■ Acquisition of DX certification provided by the Ministry of Economy, Trade and Industry (OFG, The Bank of Okinawa and Okigin SPO)

### <Purpose>

- Realize our aspiration to “Lead the region with full services utilizing advanced ICT” in the 1st Medium-Term Business Plan
- Establishment of organizational structure to promote DX, etc.



[Digital Transformation Certification]

Digital Transformation Certification is an initiative in which the Ministry of Economy, Trade and Industry certifies companies that are recognized as ready to promote digital transformation as “DX-certified operators” based on the Act on Facilitation of Information Processing. Valuation standards include development of management visions, DX strategies and internal systems, among others.

# (2) Strategy II Provide Services through a Market-in Approach (i)

## Digitalization of customer contact points

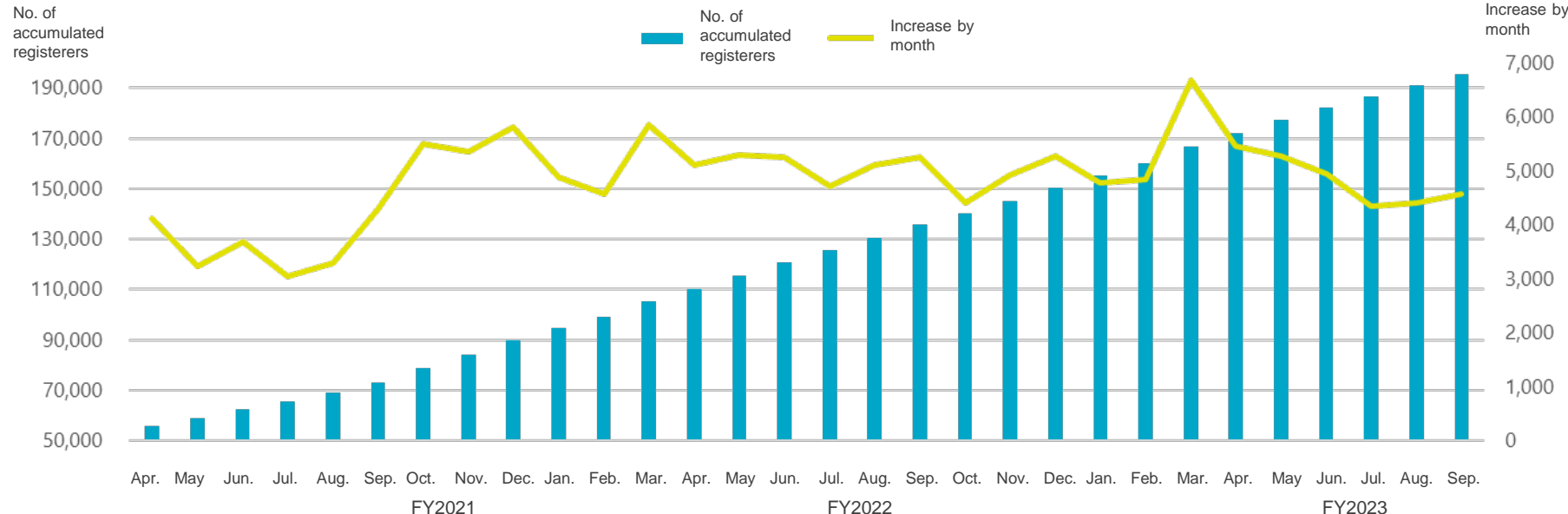
### ● Enhance Okigin Smart functions and promote usage

Number of registerers in FY2023 (April to September) exceeded 28,000 persons, for an accumulated total of over 195,000 persons.

Phased enhancement of functions is underway to improve convenience.

#### <Contents of enhancement in functions>

- Add card loan borrowing and repayment functions
- Add JCB debit card application function
- Raise the upper limit on remittance to other banks (from ¥0.1 million per day to ¥1 million per day)



# (2) Strategy II Provide Services through a Market-in Approach (ii)

## Digitalization of customer contact points

### ● Expand the lineup of individual loans completing online

Expanding products since the service provision start in March 2021

#### <Applicable products>

- Cattleya Card Loan (from Feb. 2023)
- Cattleya Card Loan Select (from Feb. 2023)
- Timely Loan (from Feb. 2022)
- Salary Transfer Accounts Loan (from Feb. 2022)
- Consolidated account package loan
- Plus one (from Mar. 2021)

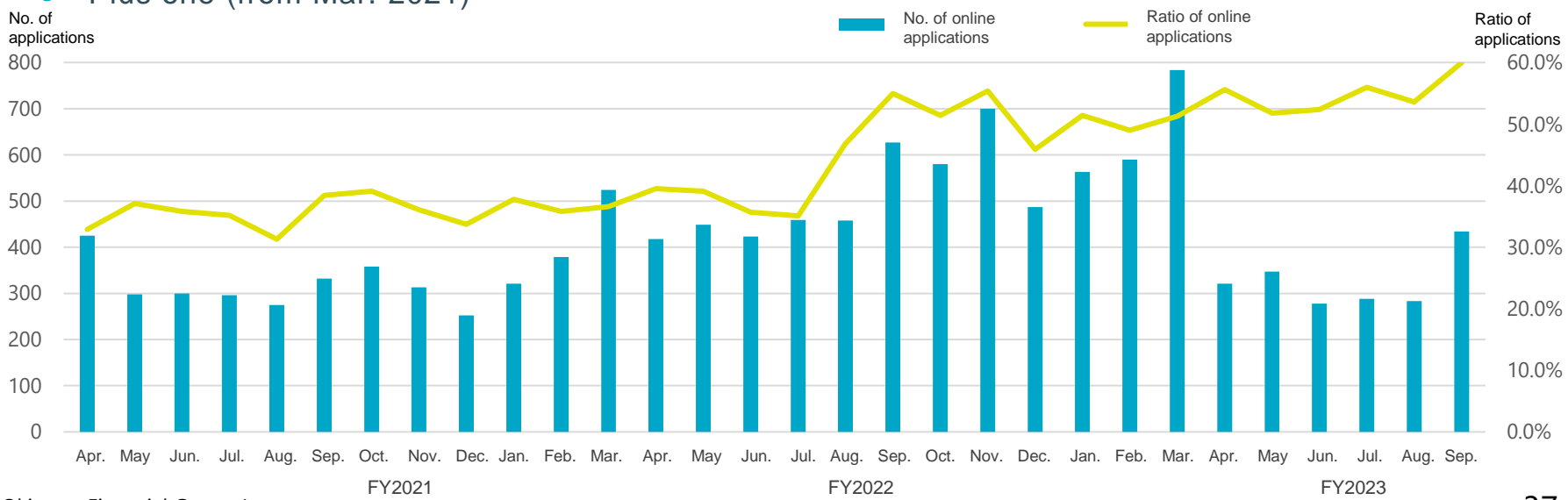
### ● Promote the use of online loan applications

Encouraging the use of non-face-to-face online application with no need for visiting banks.

#### <Ratio of online applications>

- FY2021: 35.8%
- FY2022: 46.3%
- **FY2023: 54.9%**

\* Online applications marked 60% in September 2023.



# (2) Strategy II Provide Services through a Market-in Approach (iii)

## ■ Digitalization of customer contact points

### ● Expand the use of Okigin Big Advance

- <Number of members>
  - As of September 30, 2023: 2,839
- <Number of cases business matching was used>
  - FY2021: 137
  - FY2022: 223
  - **FY2023: 276 (April to September)**

<Example of a business matching case>  
**Teruya Shokuhin Co., Ltd. and Arakaki Kami Confectionery Store**  
 Through using Okigin Big Advance, we proposed utilization of okara (residue after making tofu) for disposal, expansion of sales destinations and lowering raw material costs for confectionery production, which gave birth to Chinsuko biscuits made of okara



### ● Start provision of The Bank of Okinawa Mikatano service (from Dec. 2022)

In cooperation with Money Forward, Inc., started provision of the following 3 services:

- **Mikatano invoice management** (compliant to invoice system)
- **Mikatano fund management**
- **Mikatano works** (compliant to the Act concerning Preservation of Electronic Books)



## (2) Strategy II Provide Services through a Market-in Approach (iv)

- Provide new value corresponding to ESG and SDGs, and increase value of local communities

- **Preferential interest rates on housing loans for the acquisition of ZEH (from Oct. 2022)**

<Purpose>

- Support and promote the acquisition of ZEH(\*) by offering preferential interest rates on loans  
(\* ) Abbreviation for net Zero Energy House. Housing that achieves energy savings by improving insulation performance and the efficiency of facilities, etc., and that reduces energy consumption to practically zero or less by introducing electricity fueled by renewable energy sources such as solar power.

<Details of preferential treatment>

Can be selected from either of the following:

- i. Special fixed annual interest rate of 0.5% for the first 5 years
- ii. Special annual interest rates of minus 0.1% from the scheduled interest rates for the entire loan period

- **Start provision of “Okigin sustainable loans” (from Feb. 2023)**

<Purpose>

- Strengthen support for companies working to solve global warming and climate change issues and for companies working on decarbonization of their business operations

<Outline of product>

- Sustainability-linked loan-type  
Reduce interest rates based on achievement of greenhouse gas emission reduction targets, etc.
- Green loan-type  
Finance capital investment relating to renewable energy, etc.



# (2) Strategy II Provide Services through a Market-in Approach (v)

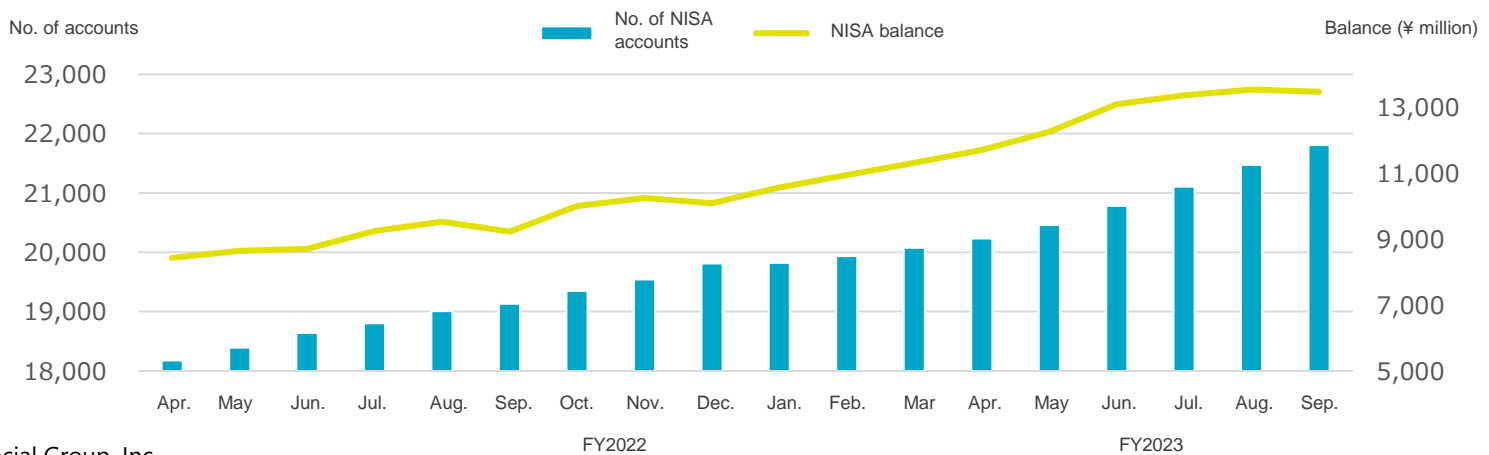
## Formulate and announce Okinawa Financial Group Fiduciary Duty Basic Policy

Compiled and announced Fiduciary Duty Basic Policy for Okinawa Financial Group (Revised in March 2023)

Okinawa Financial Group Fiduciary Duty Basic Policy	
1	Formulate and announce customer-oriented business operation policy
2	Pursue best interests of customers
3	Manage conflict of interest appropriately to safeguard customers' interests
4	Clarify commission fees to be borne by customers
5	Provide important information to customers in an easy-to-understand manner
6	Offer products and services tailored to each stage in life of customers
7	Framework to appropriately motivate employees for them to pursue best interests of customers

## Asset formation support based on customers' life planning

Offer NISA and other investment trusts to support customers' asset formation based on their life planning.





## (3) Strategy III Optimization of Group Management Resources (i)

### ■ Cost reduction and operational reform

While striving for cost reduction based on a Group-wide effort, increase productivity through operational reform

#### ● Reduce non-personnel expenses

**Results (FY2022): down ¥560 million (year on year)**

\* Reduction by paperless operation and review of costs

#### ● Reduce personnel expenses

**Results (FY2022): down ¥240 million (year on year)**

\* Reduced overtime allowances by increasing operational efficiency and productivity

\* **Reduced overtime allowances by ¥210 million year on year on a non-consolidated basis for The Bank of Okinawa**

#### ● Operational reform

**Target (FY2023): Generate manpower equivalent to 100 persons**

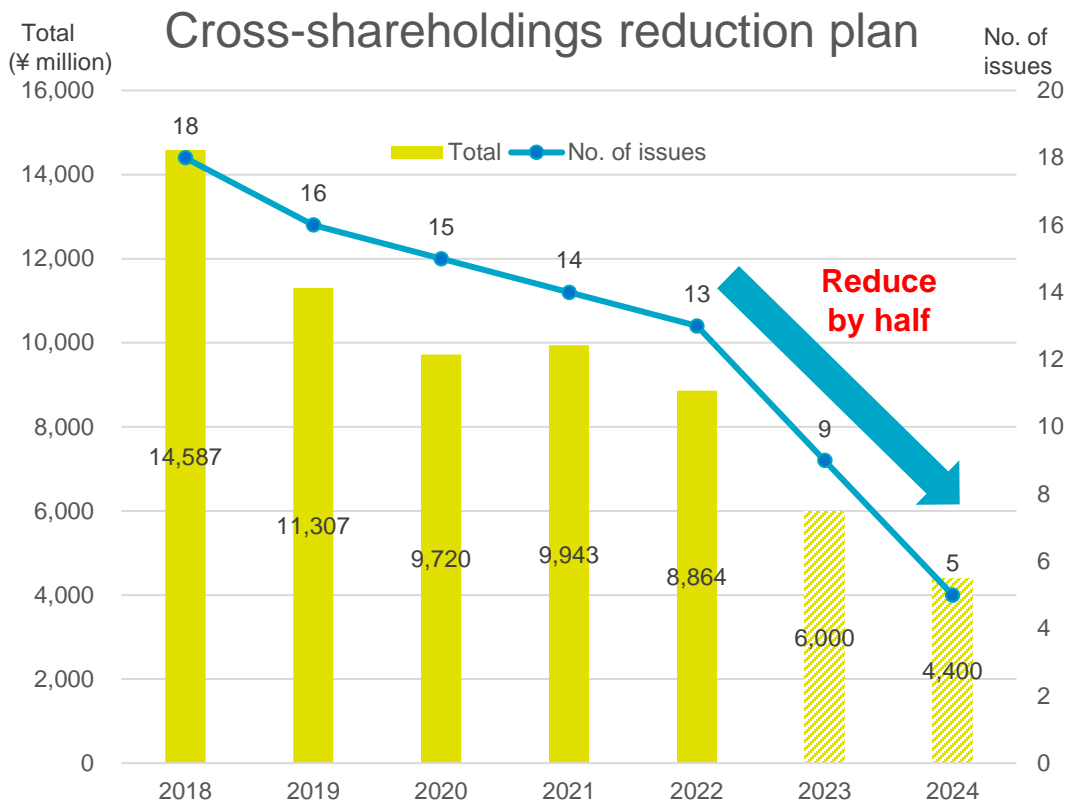
\* Initiatives implemented:

- Generate manpower by reviewing operations
- Ensure paperless operation (eliminate paper documents for operations and teller work)
- Systematize various procedures and eliminate vouchers
- Review and centralize head office operation and review operational systems
- Review products and services (shift to non-face-to-face service and review of lineup, etc.)

# (3) Strategy III Optimization of Group Management Resources (ii)

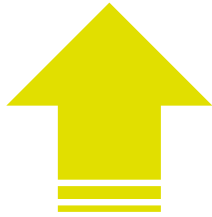
## Reduction of cross-shareholdings

Reduce listed stocks held by The Bank of Okinawa to allocate resources to growth strategies and to shift to shareholder returns.



\* Indicates trend by year. Shaded bars are forecasts.

## Increase corporate value



### Growth strategies

- Expand business areas and diversify source of revenue
- Broaden market-in strategies
- Strengthen consulting service
- Allocation to DX strategies

### Shareholder returns

- Strengthen shareholder returns

# (4) Strategy IV Human Resources Development to Lead Group Growth (i)

## ■ Certified as Okinawa Human Resource Development Company

The Bank of Okinawa was certified as Okinawa Human Resource Development Company in December 2020.

Aim to remain **“a company excellent in human resources development, where employees feel motivated to work and can pursue upskilling and career advancement”**



## ■ Strengthen development of specialized human resources

To nurture personnel to be engaged in consulting services, we encourage the acquisition of various professional qualifications (figures below represent the number of qualified persons as of September 30, 2023)

- **M&A Senior Experts: 233 (the highest count in financial institutions nationwide)**
- **Business Succession and M&A Experts: 88**
- **1st-grade Financial Planners: 56**
- **Small and Medium Sized Enterprise Consultants: 36**
- **Securities Analysts: 8**
- **Certified Internal Auditors (CIA) : 2**



## ■ Strengthen DX promotion supporting system

Intensively foster personnel who support customers' DX promotion on a Group-wide basis (figures below represent the number of qualified persons as of March 31, 2023)

- **IT Passport qualified employees: 205**
- **IT Coordinators : 17**
- **Cloud engineers (AWS/Azure certified employees): 2**
- **Data scientists (Statistical Test certified employees): 7**
- **Cybersecurity personnel (Registered Information Security Specialists): 4**

# (4) Strategy IV Human Resources Development to Lead Group Growth (ii)

## ■ Initiatives to pursue diverse career goals

- **Expand job challenging program to the entire Group** to allocate personnel across Group companies
- Offer opportunities for employees to take on a challenge of pursuing their career goals and promote lively exchange of personnel within the Group

## ■ Promotion of Group's reform of working practices

Implementing reforms to improve employee engagement through enhancing programs, etc.

- **Wage increase of over 5%**
- **Launch a flex-time system**
- **Reduce average overtime hours:**  
FY2021: 20.9 h, FY2022: 12.3 h  
FY2023: 10.5 h (As of September 30, 2023)
- **Secondary job permitted by application**
- **Grandchild care leave**
- **Childcare leave for male employees, etc.**

## ■ Diversity promotion

- **Mandatory paid childcare leave for male employees**
- **Strengthen efforts to achieve the proportion of female managers(\*) of 30% by March 2024**  
**Group as a whole: 27.8% (FY2022) ⇒ 29.9% (FY2023)**  
**The Bank of Okinawa: 28.9% (FY2022) ⇒ 31.6% (FY2023)**  
(\* Positions equivalent to section chief or higher. FY2023 data is as of September 30, 2023.)



# (4) Strategy IV Human Resources Development to Lead Group Growth (iii)

## Secure human resources stably

In order to stably secure human resources capable of contributing to growth of local communities, we focus on recruitment of new graduates. We were ranked top at job hunting events hosted by local newspaper companies.

**“Job Hunting Fair 2024” hosted by The Ryukyu Shimpo Co., Ltd.**

**Ranking of most popular companies to work for new graduates**

		Points
1	<b>The Bank of Okinawa</b>	<b>559</b>
2	(Other company in the prefecture)	<b>446</b>
3	(Other company in the prefecture)	<b>359</b>
4	(Other company in the prefecture)	<b>298</b>
5	(Other company in the prefecture)	<b>255</b>

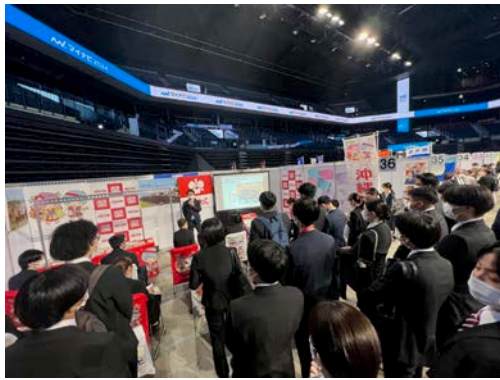
Ryukyu Shimpo (offprint) dated Wednesday, April 26, 2023

**“Times Job Hunting Forum” hosted by Okinawa Times**

**Comprehensive ranking of most popular companies to work for new graduates**

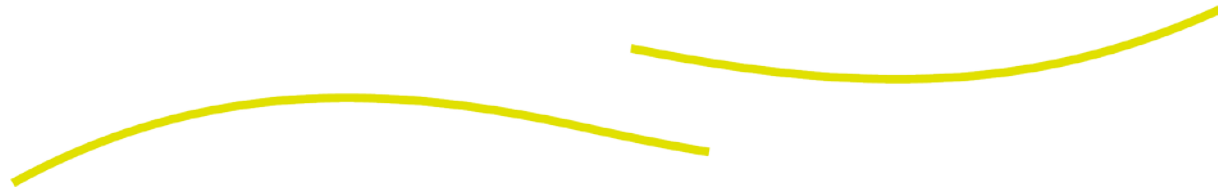
		Points
1	<b>The Bank of Okinawa</b>	<b>539</b>
2	(Other company in the prefecture)	<b>490</b>
3	(Other company in the prefecture)	<b>290</b>
4	(Other company in the prefecture)	<b>209</b>
5	(Other company in the prefecture)	<b>203</b>

Okinawa Times (Job Hunting Times) dated Wednesday, March 29, 2023



# 6

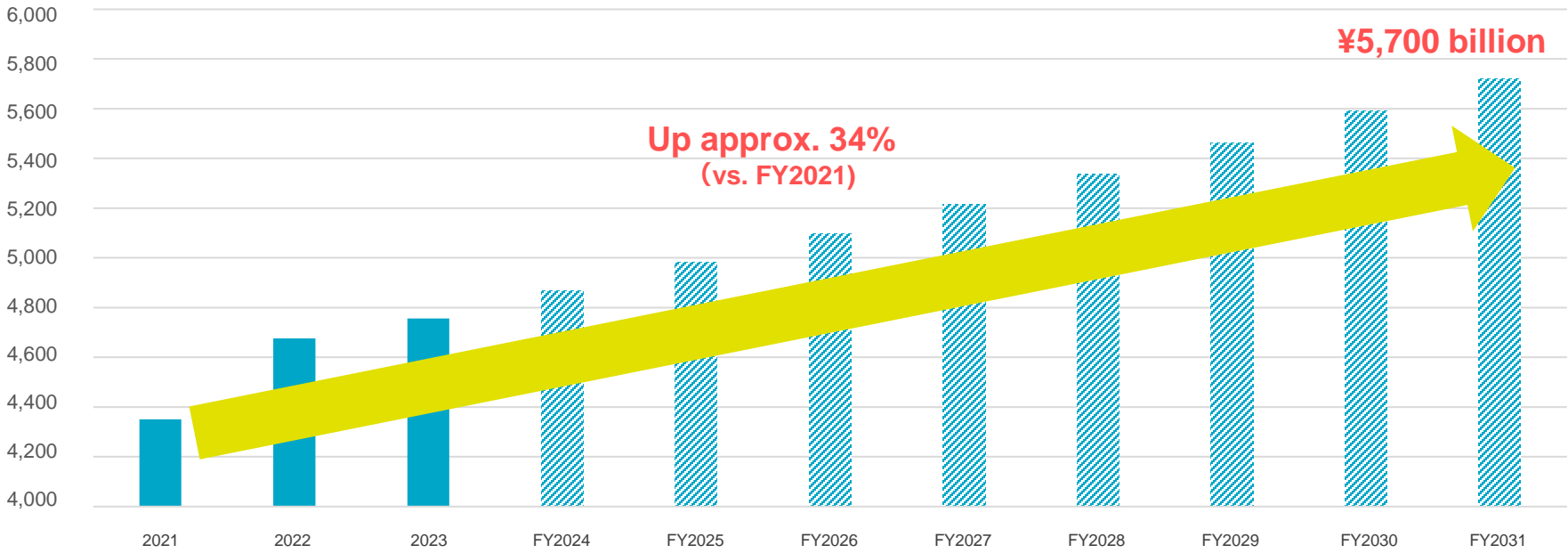
## Growth Strategies of the Group



# (1) Business Environment (Economic Outlook in Okinawa Prefecture)

“New Okinawa 21st Century Vision Basic Plan,” the master plan announced by Okinawa Prefecture, forecasts a gross prefectural production reaching **approx. ¥5,700 billion in FY2031**, on account of a value-added tourism industry leveraging Okinawan characteristics and an increase in labor productivity through DX promotion in various industries. Okinawa Financial Group **aims to contribute to development of the prefectural economy, while at the same time achieving a dramatic growth.**

Gross prefectural production (nominal)



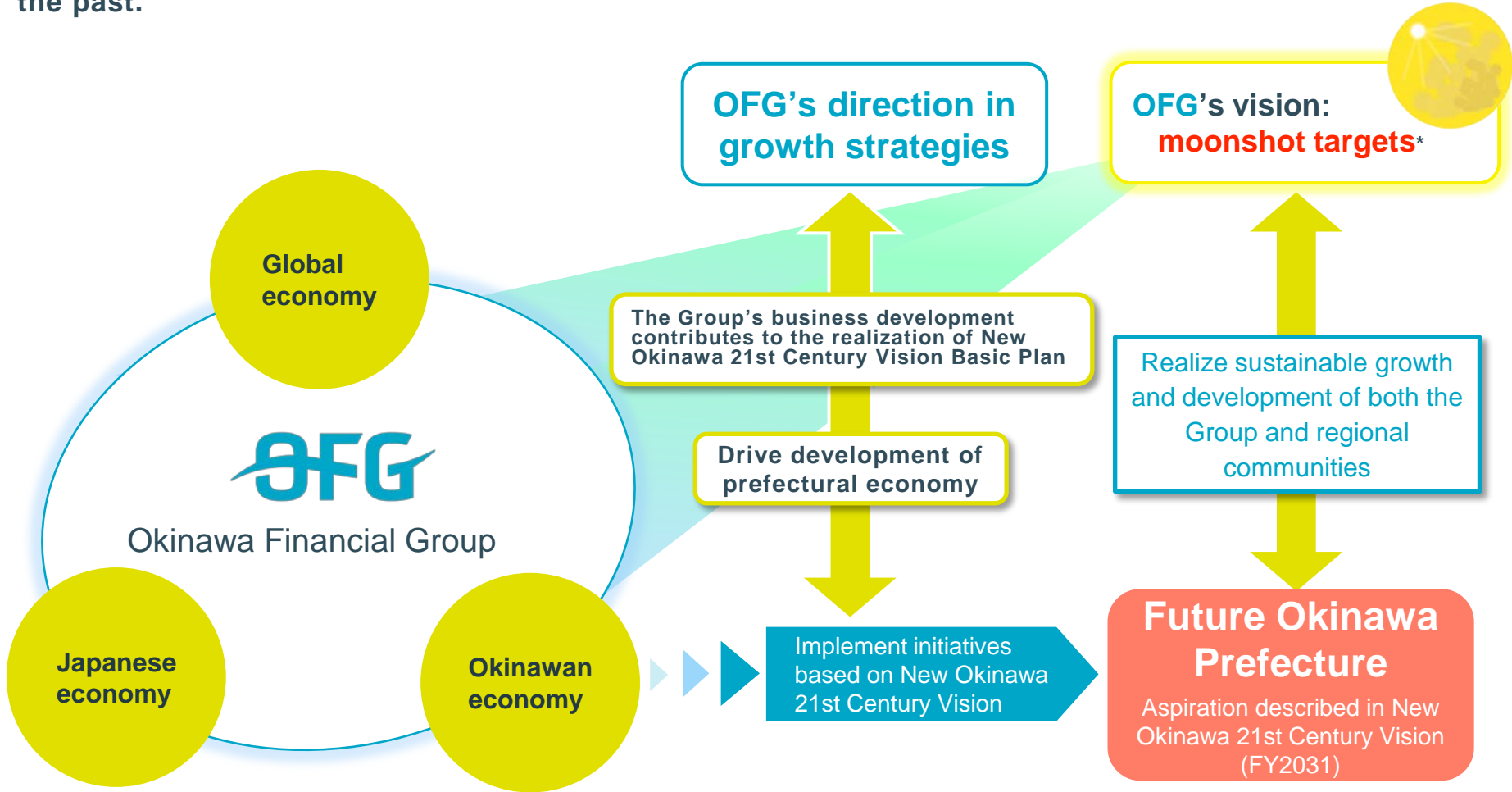
Source of gross prefectural production (nominal): Department of Planning, Okinawa Prefectural Government  
 (\* shaded bars are the estimates by the Company based on the forecasts in “New Okinawa 21st Century Vision Basic Plan”)

## <Factors>

**Increase in the number of days spent by tourists and improvement in the quality of tourism** (Yambaru area in the northern mainland was registered as a world natural heritage, construction of a theme park started in the northern area, etc.), **improvement of transportation infrastructure** (Naha Airport second runway, which was put into service in March 2020, started full-fledged operation, the second cruising berth was put into service, etc.)

## (2) Future of Okinawa Prefecture and OFG's Vision

Taking to heart the future aspiration of Okinawa Prefecture, Okinawa Financial Group aims for giant leap that realizes sustainable growth and development of both the Group and regional communities, in order to lead development of local economy, grow and achieve the vision together with the prefecture. To that end, we **formulate and challenge very aggressive targets (moonshot targets), which are not an extension of the past.**



\*Moonshot targets refer to grand goals or challenges that are very difficult to be achieved but will have a significant impact when achieved.



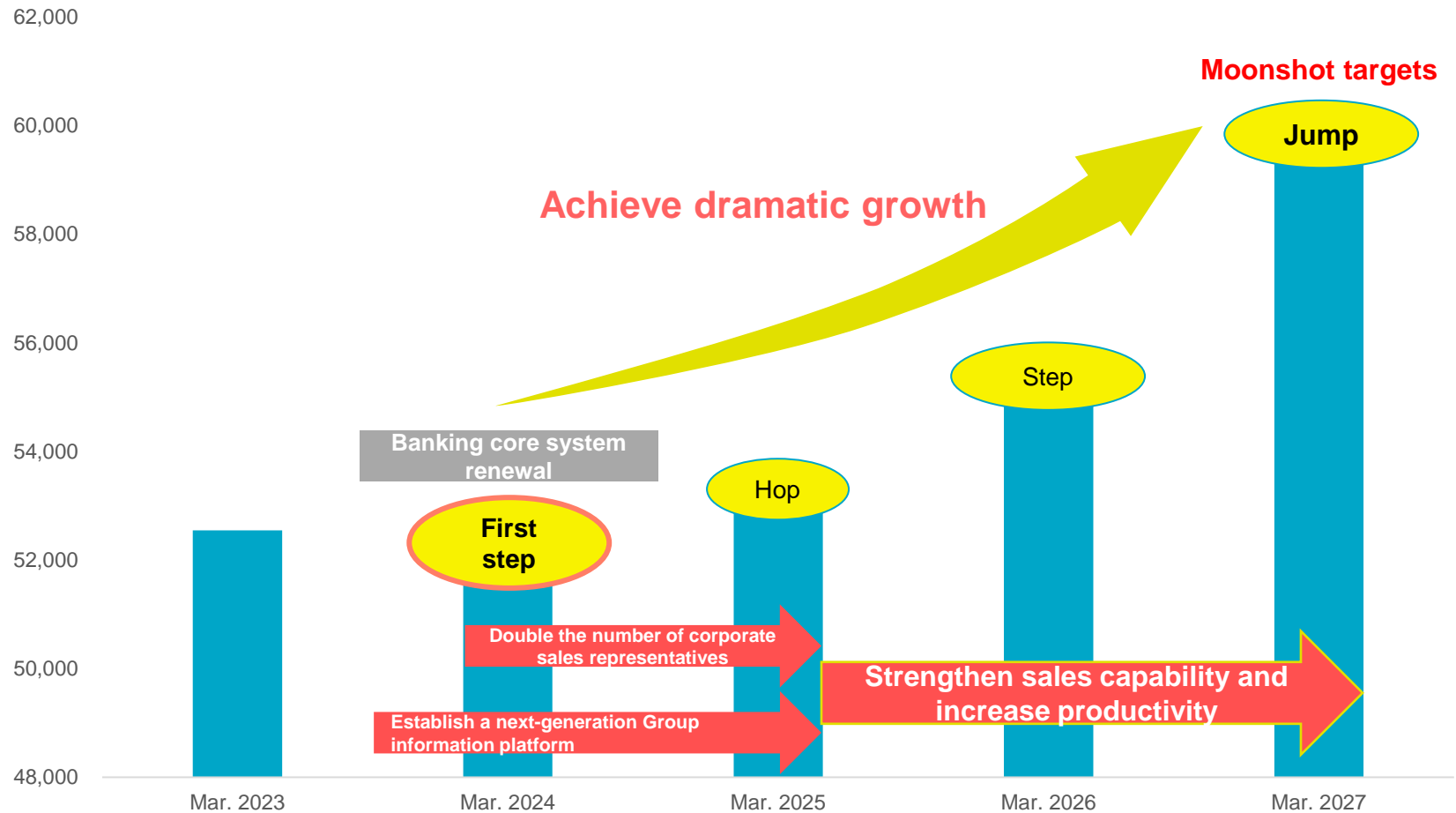
### (3) Management Indicators to Pursue under Moonshot Targets

- As the management indicators under the 1st Medium-Term Business Plan are generally achievable, we will disclose aggressive targets for the third year (FY2023) and **launch initiatives early to achieve them**, aiming for dramatic growth and development.
- Moonshot targets are **increase of approx. ¥10.0 billion in consolidated ordinary income vs FY2021, ¥10.0 billion level in consolidated net income, which is a double of FY2021, and consolidated ROE of approx. 6.0%.**

Item	FY2021 results	FY2022 results	FY2023 forecast	1st Medium-Term Business Plan target (FY2023)	FY2026 Moonshot Targets	Remarks
<b>Consolidated ordinary income</b>	¥50.4 billion	¥52.6 billion	¥52.7 billion	Unannounced	<b>¥60.0 billion</b>	Achieve growth through top-line expansion
<b>Consolidated net income</b>	¥5.0 billion	¥5.8 billion	¥6.1 billion	¥6.0 billion	<b>¥10.0 billion</b>	Net income of ¥10.0 billion level
<b>Consolidated ROE</b> (shareholders' equity basis)	3.25%	3.70%	Unannounced	Approx. 4%	<b>Approx. 6%</b>	Increase in corporate value by improving ROE
<b>Consolidated capital ratio</b>	11.09%	10.77%	Unannounced	Approx. 10%	<b>Approx. 11%</b>	Maintain the highest level in the prefecture

# (4) Rough Plan for Ordinary Income to Achieve Moonshot Targets

Toward achieving consolidated ordinary income of ¥60.0 billion, we are **doubling the number of corporate sales representatives to increase interest on loans and discounts and non-interest income** and preparing for establishment of a **next-generation Group information platform designed to increase productivity of the entire Group**. Based on these intra-Group work environment, we aim for dramatic growth toward achieving moonshot targets.



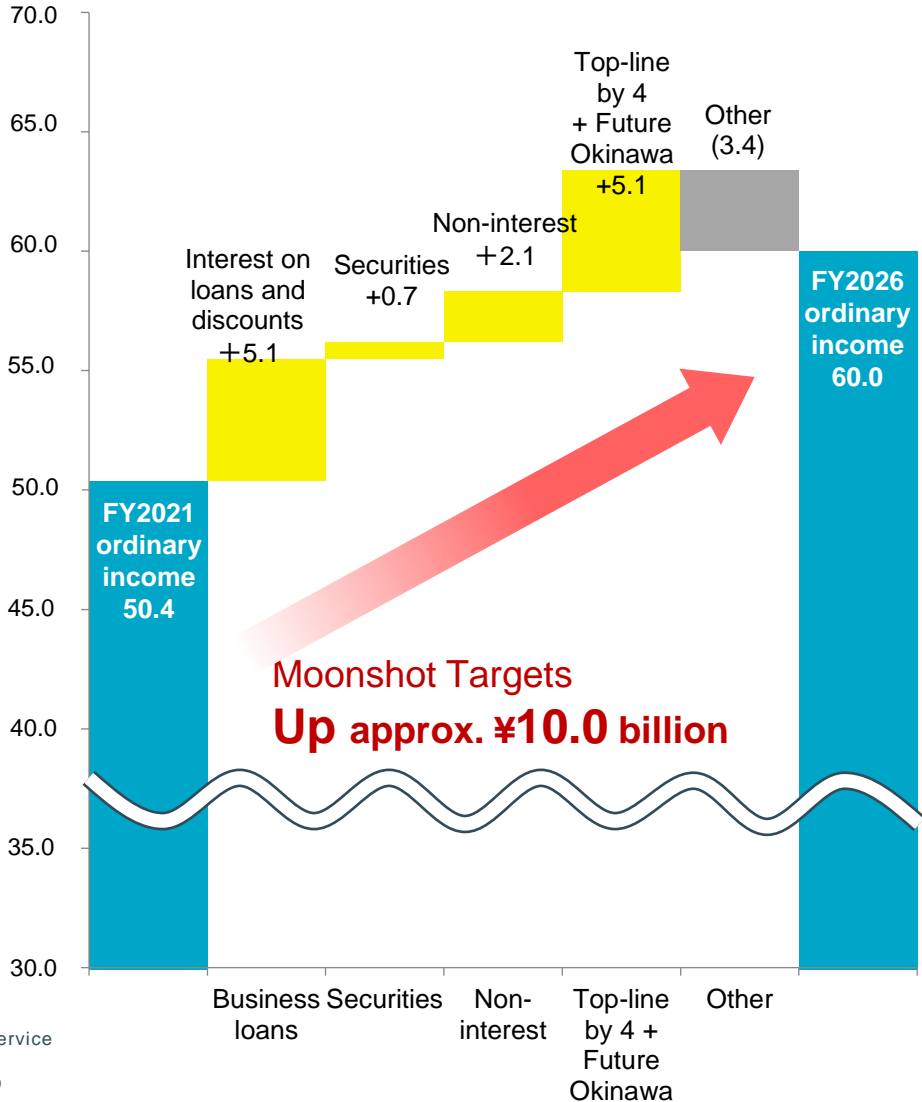
(¥ million)

# (5) Breakdown of Growth Items by Top-line Expansion

## Breakdown of growth items

- FY2026 moonshot target: top-line of ¥60.0 billion
- With interest on loans and discounts, non-interest income, and top-line expansion driven by Group companies, aim for an increase of approx. ¥10.0 billion from FY2021

Item	FY2021 results	FY2026 Moonshot Targets	Change
Interest on loans and discounts	¥24.1 billion	¥29.2 billion	¥5.1 billion
Interest and dividends on securities	¥3.6 billion	¥4.3 billion	¥0.7 billion
Non-interest income*1	¥2.6 billion	¥4.7 billion	¥2.1 billion
Top-line 4 companies*2 + Future Okinawa	¥15.9 billion	¥21.0 billion	¥5.1 billion
Other*3	¥4.1 billion	¥0.6 billion	¥(3.4) billion
<b>Total</b>	<b>¥50.4 billion</b>	<b>¥60.0 billion</b>	<b>¥9.6 billion</b>



\*1 Non-interest income: investment trusts, insurance, M&A, business matching, cashless service and other commission fees  
 \*2 Top-line 4 companies: Okigin General Lease, Okigin JCB, Okigin Securities, Okigin SPO  
 \*3 Other: internal transactions, etc.

## Brand slogan

# Create Value & Innovation

## Creating new ideas for Okinawa, together

Design the future with new ways of thinking and co-create new ideas with customers

### Our stance behind the slogan

---

Even amidst changes in business environment and in adapting to these changes, we remain with a set of values that we have inherited since the founding of The Bank of Okinawa.

We are eager to stand with our customers, to exceed their expectations and to enhance the value of the local economy. With these values in mind, we pledge to take on a challenge with new ways of thinking.

“Create Value & Innovation - creating new ideas for Okinawa, together” is a slogan under which we aim to co-create new ideas for customers and regions and become the one that unlocks the future of people and companies in the community based on a broader perspective.

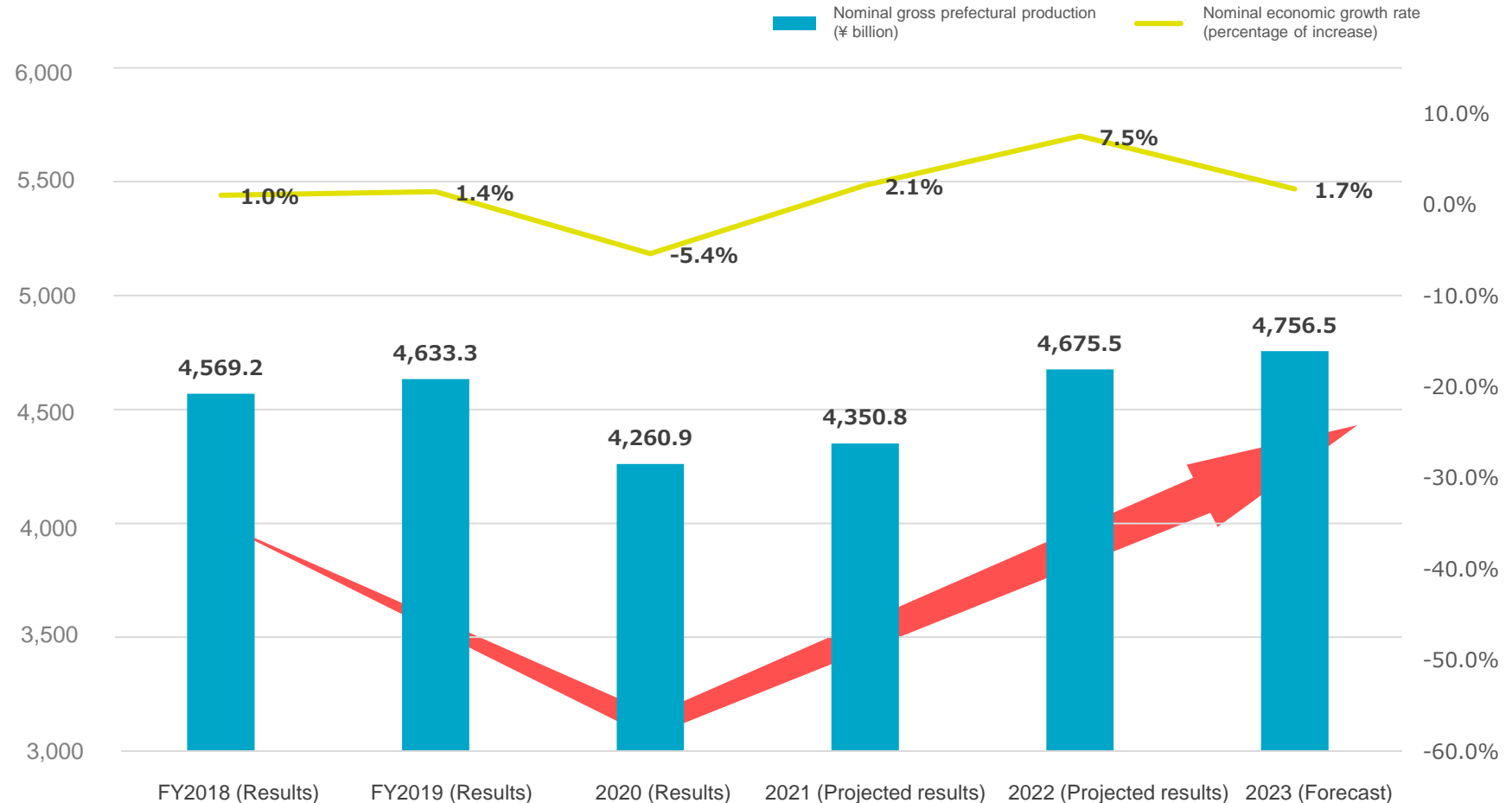
Masayasu Yamashiro  
President and Representative Director

# 7

## <Supplemental Materials> Trends in Economy in Okinawa

# (1) Gross Prefectural Production and Economic Growth Rate

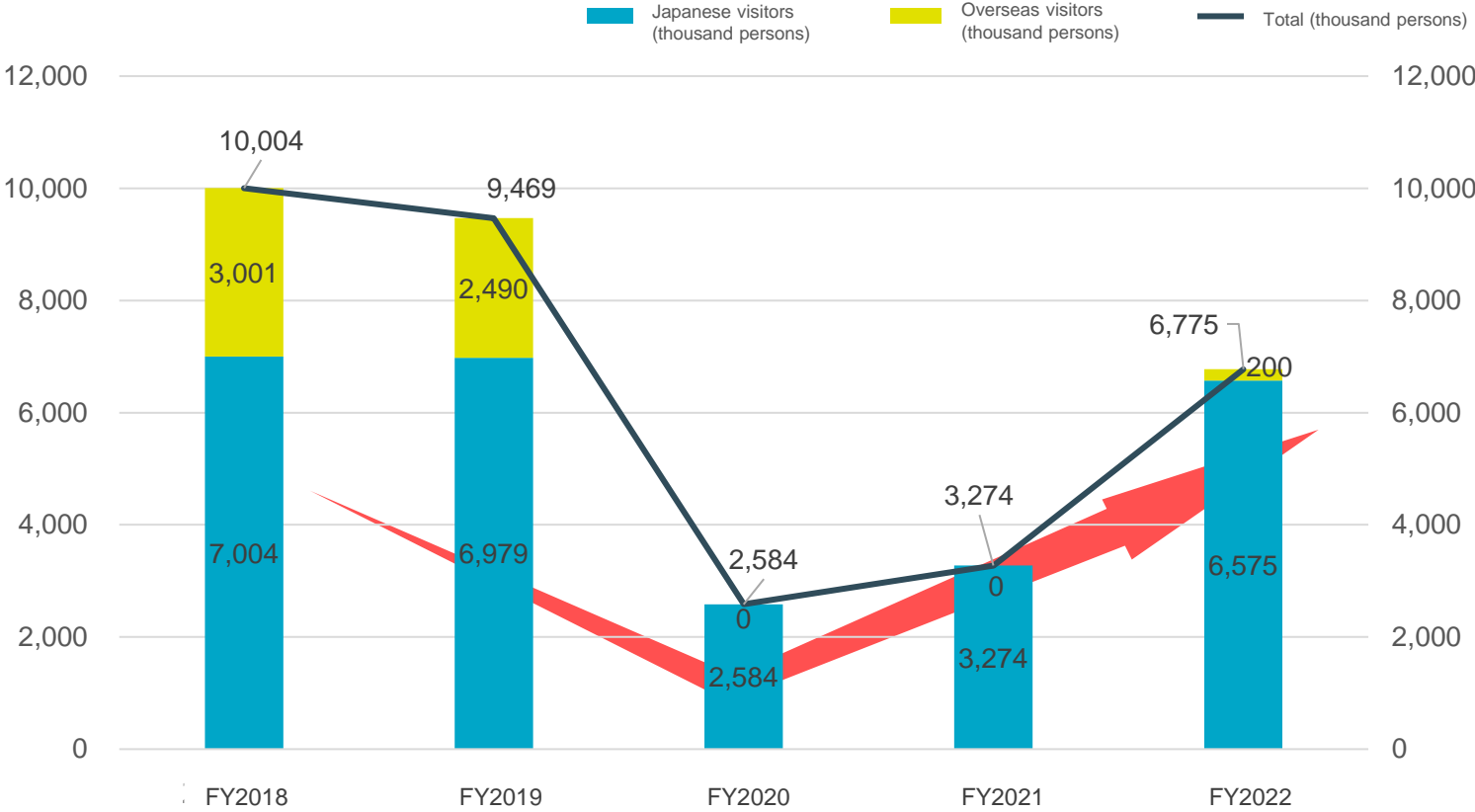
Both gross prefectural production and economic growth rate are showing signs of recovery from declines due to COVID-19. FY2022 saw economic growth by 7.5%.



Source: Department of Planning, Okinawa Prefectural Government

## (2) Number of Visitors to Okinawa

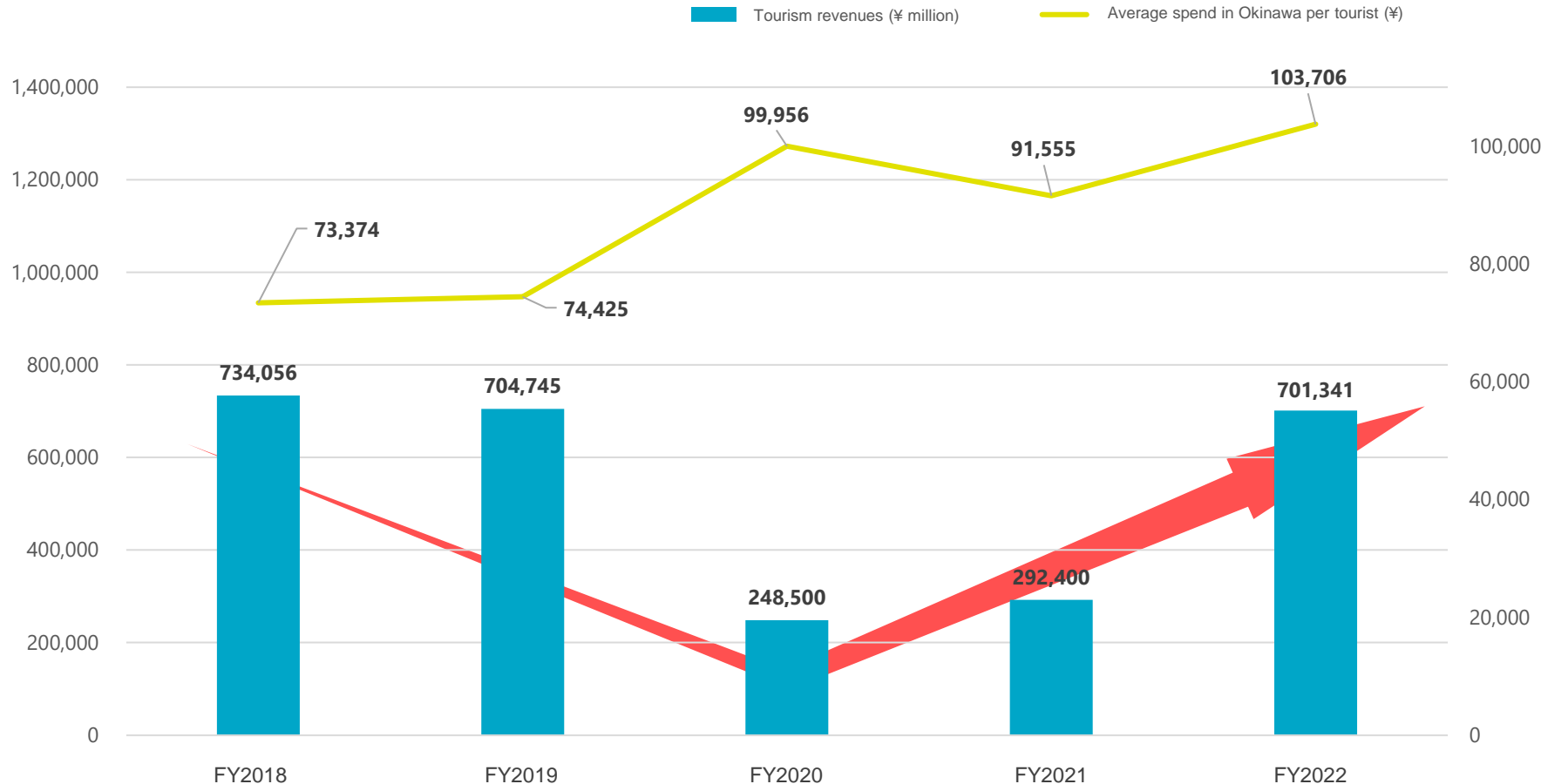
Number of Japanese visitors is recovering to the pre-pandemic level. With resumption of full-scale acceptance of international flights at Naha Airport and cruise ships, number of overseas visitors is expected to drive the increase.



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

### (3) Tourism Revenues and Average Spend in Okinawa per Tourist

Average spend in Okinawa per tourist in FY2022 exceeded ¥100,000. Okinawa Prefecture is encouraging further the increase in spend and longer stays in the prefecture, aiming for a shift from quantity to quality.



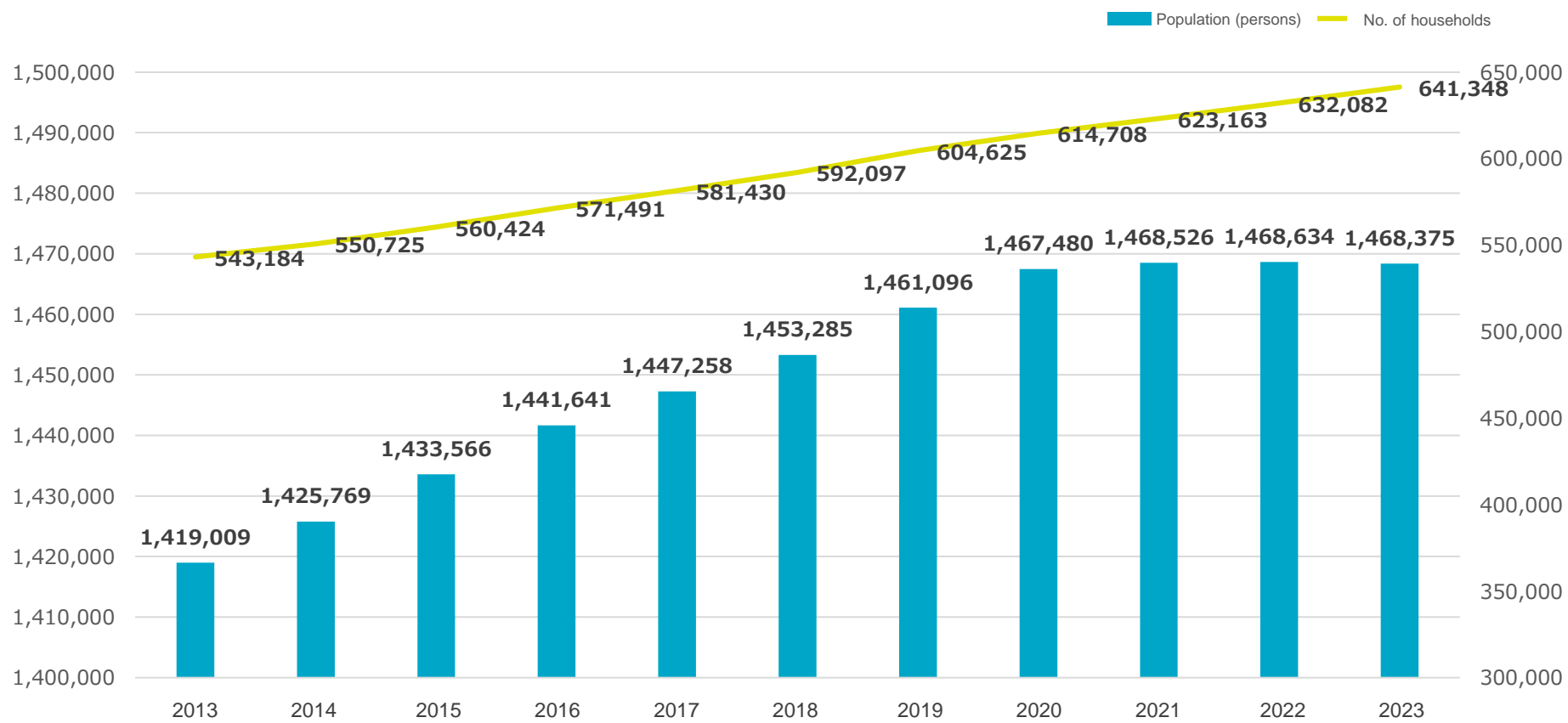
Source: Tourism Policy Division, Department of Culture, Tourism and Sports, Okinawa Prefectural Government



# (4) Population and Number of Households in Okinawa

Population remains solid despite some decreases in 2023.  
 “Okinawa 21st Vision YugafushimaZukuri Plan”(\*) announced by Okinawa Prefectural Government forecasts an increase to approx. 1,500,000 people in 2035, as a population estimate if we successfully realize a society desired by the prefecture.

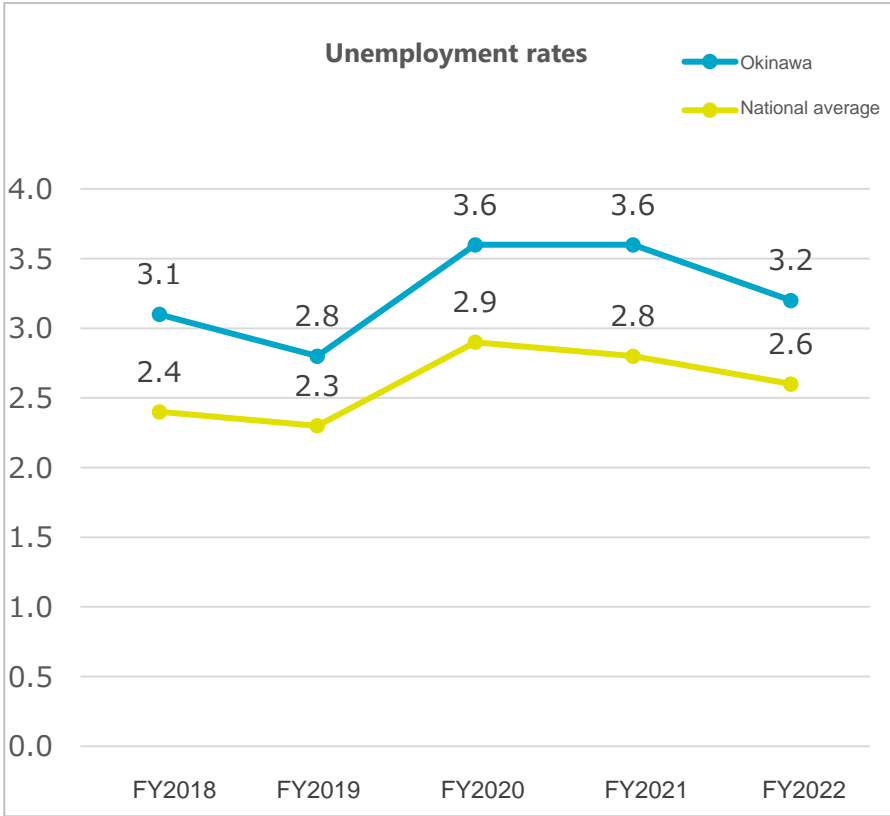
\*A plan by Okinawa Prefectural Government (Planning Coordination Division, Department of Planning) based on the nation's “The 2nd Phase Comprehensive Strategy for the Creation of Towns, People and Work”: announced in March 2020, revised in March 2022



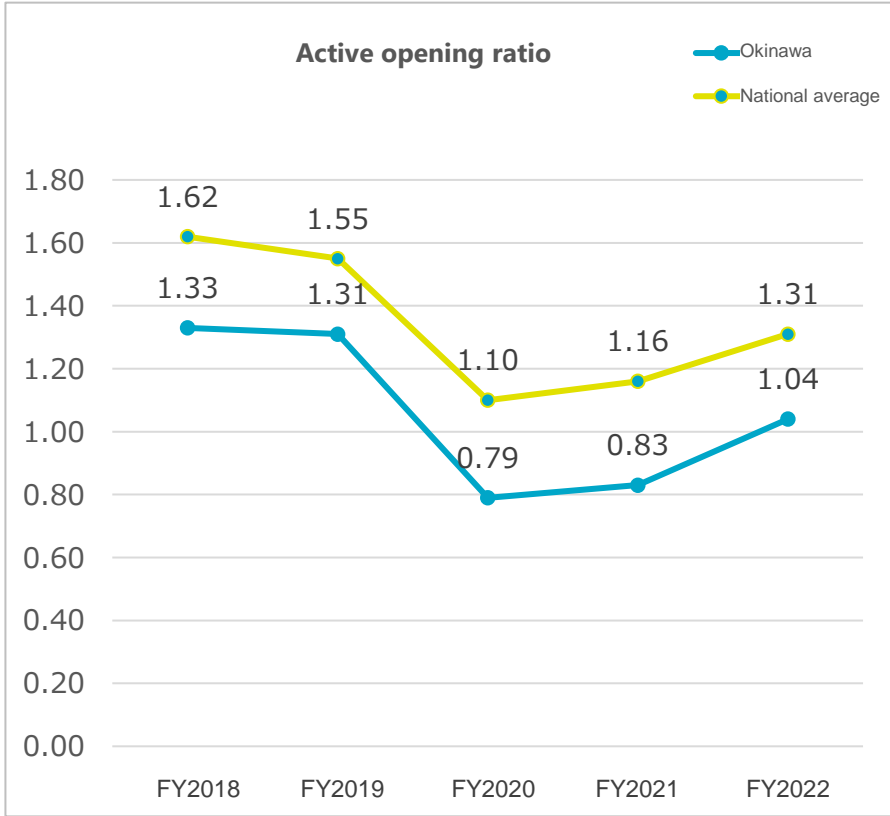
Source: Statistics Division, Department of Planning, Okinawa Prefectural Government (Figures are as of October 1 each year)

# (5) Employment

Unemployment rates and active opening ratio are both trending toward improvement. Active opening ratio was above 1.0 level for the first time in three years.



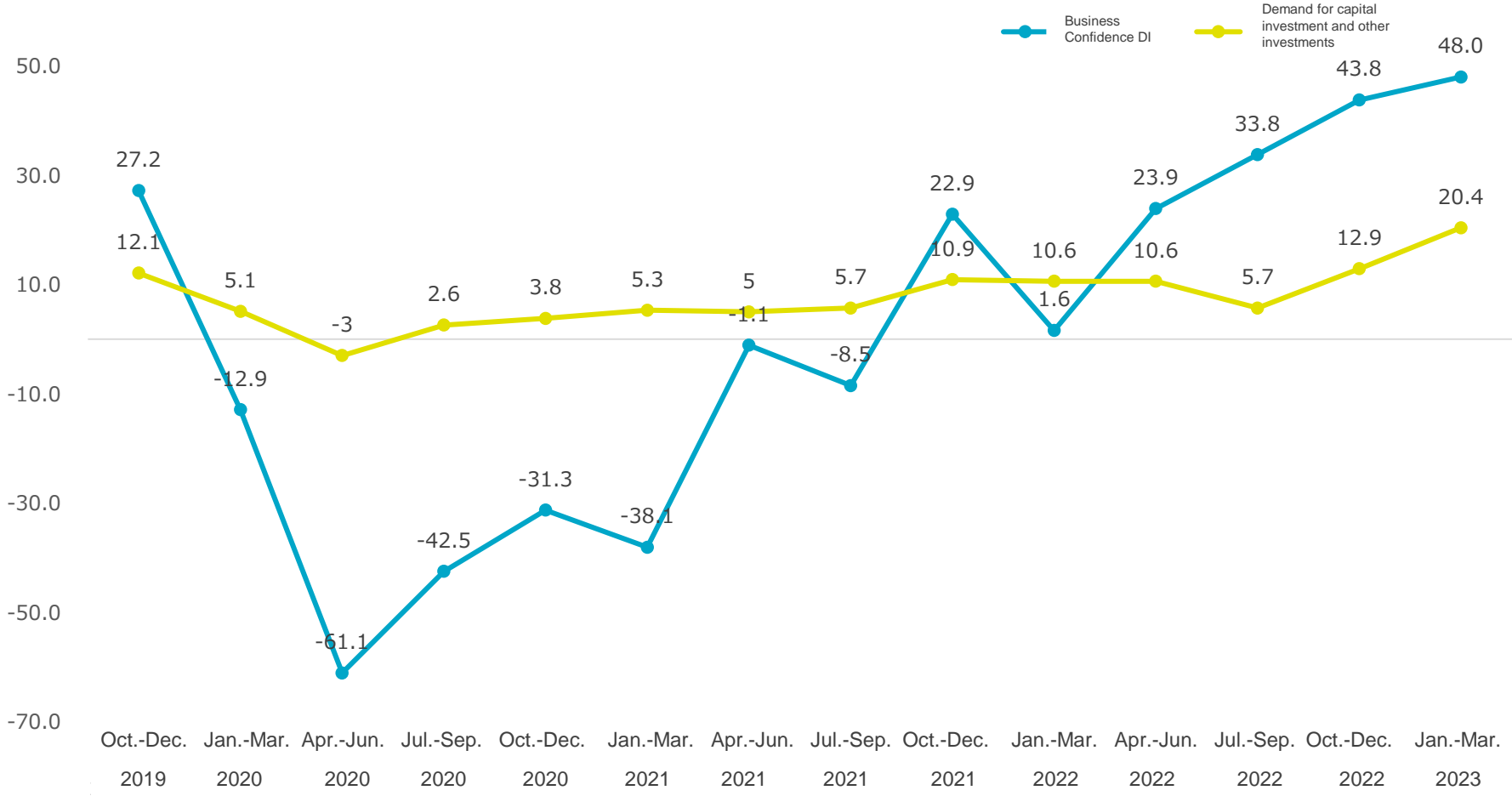
Source: Statistics Division, Okinawa Prefectural Government



Source: Okinawa Labour Bureau

# (6) Business Confidence DI and Demand for Capital Investment and Other Investments

Business Confidence DI and demand for capital investment and other investments are all on the rise. If this trend continues in line with growth in prefectural economy and recovery in tourism, more funding needs are expected for working capital and capital expenditures.



Source: Okigin Economic Research Institute