

# Okinawa Financial Group Results Briefing Materials

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May 2022

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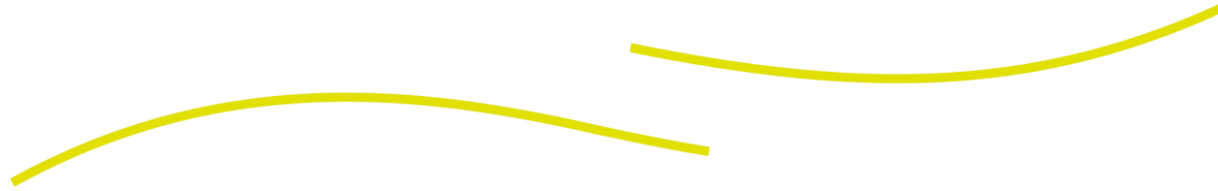
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# 1

## Performance Summary



## FY2021 Business Performance

¥ million

	FY2021	YoY
<b>Ordinary income</b>	50,480	(1,307)
Gross business profit	33,036	842
Interest income	27,881	346
Fees and commissions	2,465	17
Other business profit	2,688	478
Operating expenses	24,478	298
Credit cost	2,152	(545)
Net gains (losses) on equity securities	479	(1,138)
<b>Ordinary profit</b>	8,004	69
Extraordinary gains (losses)	(27)	(22)
Total income taxes	2,901	265
<b>Net income attributable to owners of the parent</b>	5,012	(194)

\* As the Company was founded on October 1, 2021, consolidated figures are unavailable for FY2020 (the year ended March 31, 2021). For reference, comparison is made with the consolidated figures for The Bank of Okinawa, Ltd.

## Business performance points

### ● Ordinary income

- Decreased by ¥1,307 million year on year to ¥50,480 million, mainly due to decreases in interest on loans and discounts, other ordinary income, and net gains on equity securities, despite increases in interest and dividends on securities, interest on deposits with banks, and recoveries of written-off claims.

### ● Ordinary profit

- Increased by ¥69 million year on year to ¥8,004 million due to a decrease in credit cost such as provision of allowance for loans losses and written-off of loans, despite an increase in operating expenses because of increases in personnel expenses and non-personnel expenses.

Revenues decreased and earnings increased for the first time in seven fiscal years due to the above factors.

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

- Decreased by ¥194 million year on year to ¥5,012 million.

### The Bank of Okinawa

	(¥ million)		
	FY20	FY21	YoY change
Ordinary income	36,473	35,725	(747)
Gross business profit	29,993	29,719	(273)
Net interest income	28,613	27,798	(814)
Gains (losses) on cancellation of investment trusts	42	107	64
Net fees and commissions	1,683	1,839	155
Other business profit	(303)	82	385
Expenses (excluding non-recurrent items)	21,790	22,224	433
Personnel expenses	9,934	9,643	(291)
Non-personnel expenses	10,292	10,895	602
<b>Real net business profit</b>	<b>8,202</b>	<b>7,495</b>	<b>(707)</b>
<b>Business profit on core banking operations</b>	<b>8,726</b>	<b>7,670</b>	<b>(1,055)</b>
Excluding gains (losses) on cancellation of investment trusts	8,683	7,562	(1,120)
Provision of general allowance for possible loan losses	1,211	380	(830)
<b>Net business profit</b>	<b>6,991</b>	<b>7,114</b>	<b>123</b>
Non-recurrent items	(627)	(314)	313
Recoveries of written-off claims	113	602	488
Net gains (losses) on equity securities	72	361	289
Bad debt disposal	1,232	1,439	207
<b>Ordinary profit</b>	<b>6,363</b>	<b>6,799</b>	<b>436</b>
Extraordinary gains (losses)	(3)	126	129
Income before income taxes	6,359	6,925	566
Total income taxes	1,837	2,311	473
<b>Net income</b>	<b>4,522</b>	<b>4,614</b>	<b>92</b>

### Business performance points

#### Ordinary income

Decreased by ¥747 million year on year to ¥35,725 million, mainly due to decreases in interest and dividends on securities, interest on loans and discounts, and gain on sale of bonds, despite increases in fees and commissions and interest on deposits with banks (decreased revenues)

#### Business profit on core banking operations

Decreased by ¥1,055 million year on year to ¥7,670 million, mainly due to a decrease in interest income and an increase in expenses

#### Ordinary profit

Increased by ¥436 million year on year to ¥6,799 million, mainly due to increases in recoveries of written-off claims and net gains on equity securities and a decrease in credit cost (increased earnings)

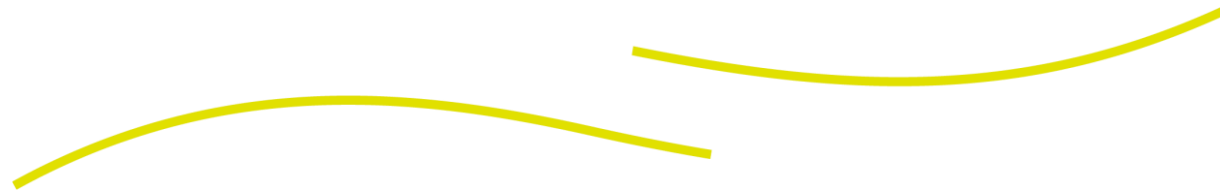
**Revenues decreased and earnings increased due to the above factors.**

### Major Group companies

Company name	¥ million			
	Ordinary profit		Net income	
	FY2021	YoY	FY2021	YoY
Okigin General Lease	112	(24)	(50)	(115)
Okigin JCB	208	(20)	242	90
Okigin SPO	35	(80)	27	(54)
Okigin Securities	210	(7)	346	(1,115)

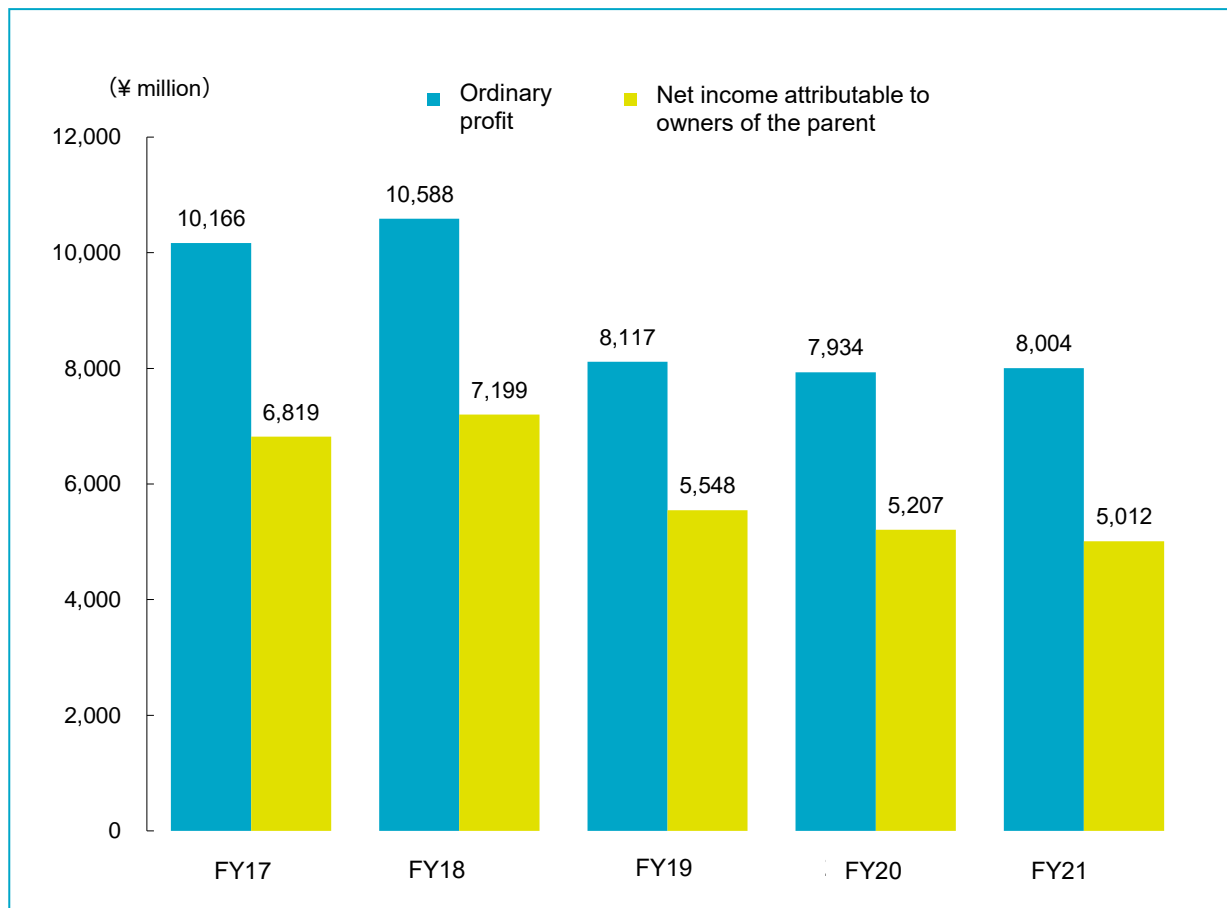
# 2

## Outline of Business Results for FY2021 (i) [OFG, Consolidated]



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

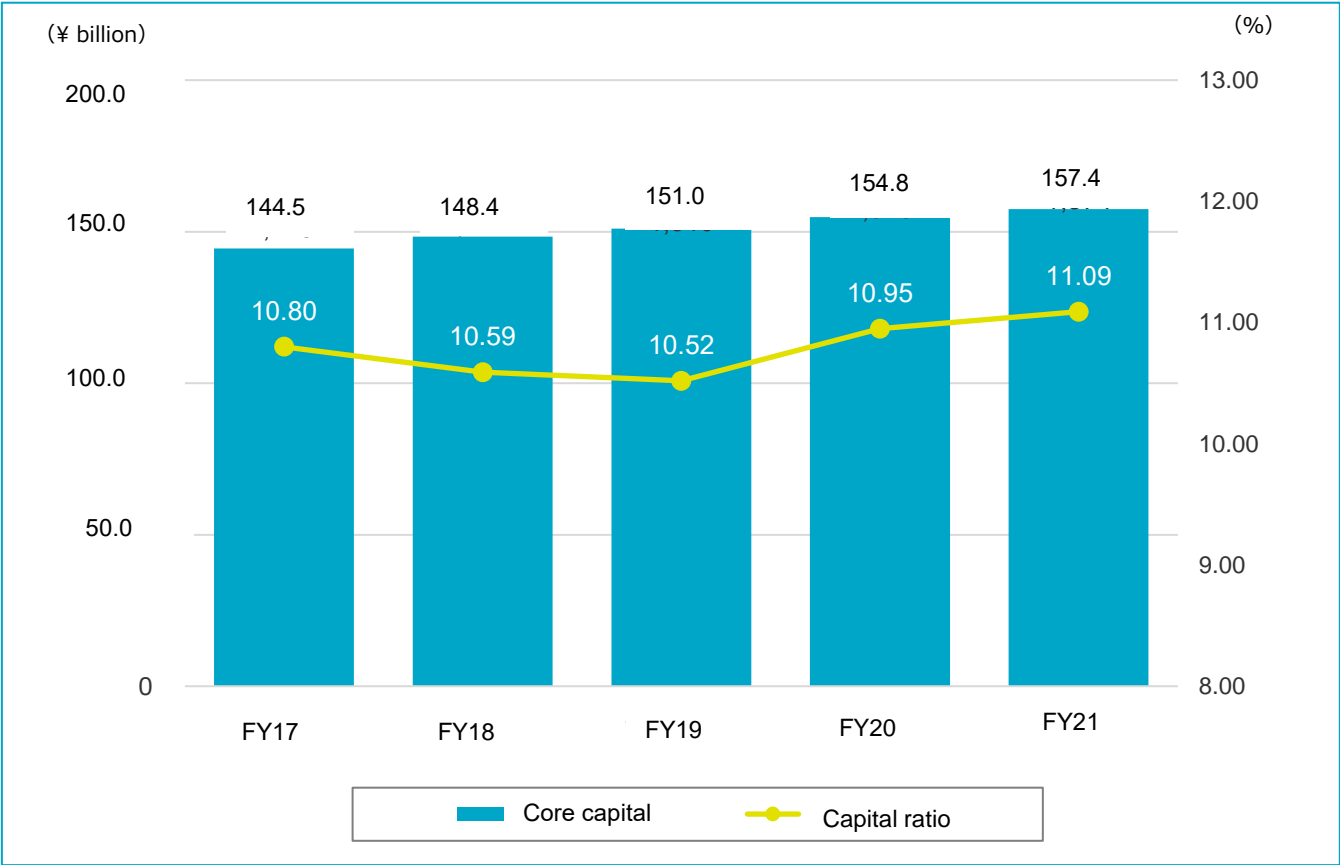
- Ordinary profit increased by ¥69 million year on year to ¥8,004 million, mainly due to an increase in interest income and a decrease in credit cost, despite an increase in operating expenses
- Net income attributable to owners of the parent decreased by ¥194 million year on year to ¥5,012 million



\* As the Company was founded on October 1, 2021, consolidated figures for The Bank of Okinawa, Ltd. are provided for the periods prior to March 31, 2021 for reference.

# (2) Capital Ratio

- Capital ratio (domestic standard) at 11.09%
- The capital ratio has risen due to an increase in capital, and soundness has been secured.

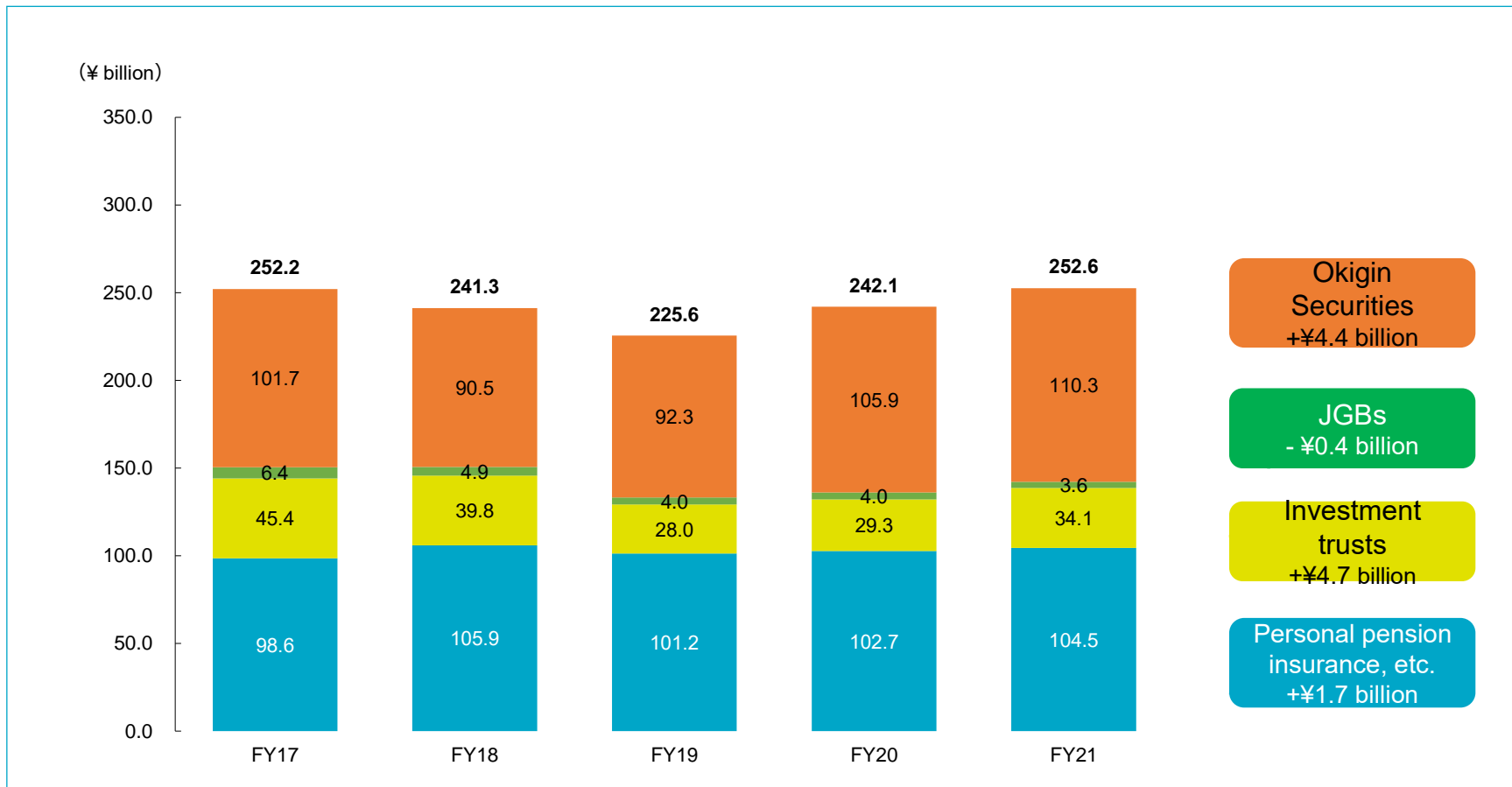


\* As the Company was founded on October 1, 2021, consolidated figures for The Bank of Okinawa, Ltd. are provided for the periods prior to March 31, 2021 for reference.



# (3) Assets in Custody

- Assets in custody as a whole (The Bank of Okinawa + Okigin Securities) increased by ¥10,436 million year on year, mainly due to increases in investment trusts and assets in custody at Okigin Securities, despite a decrease in JGBs



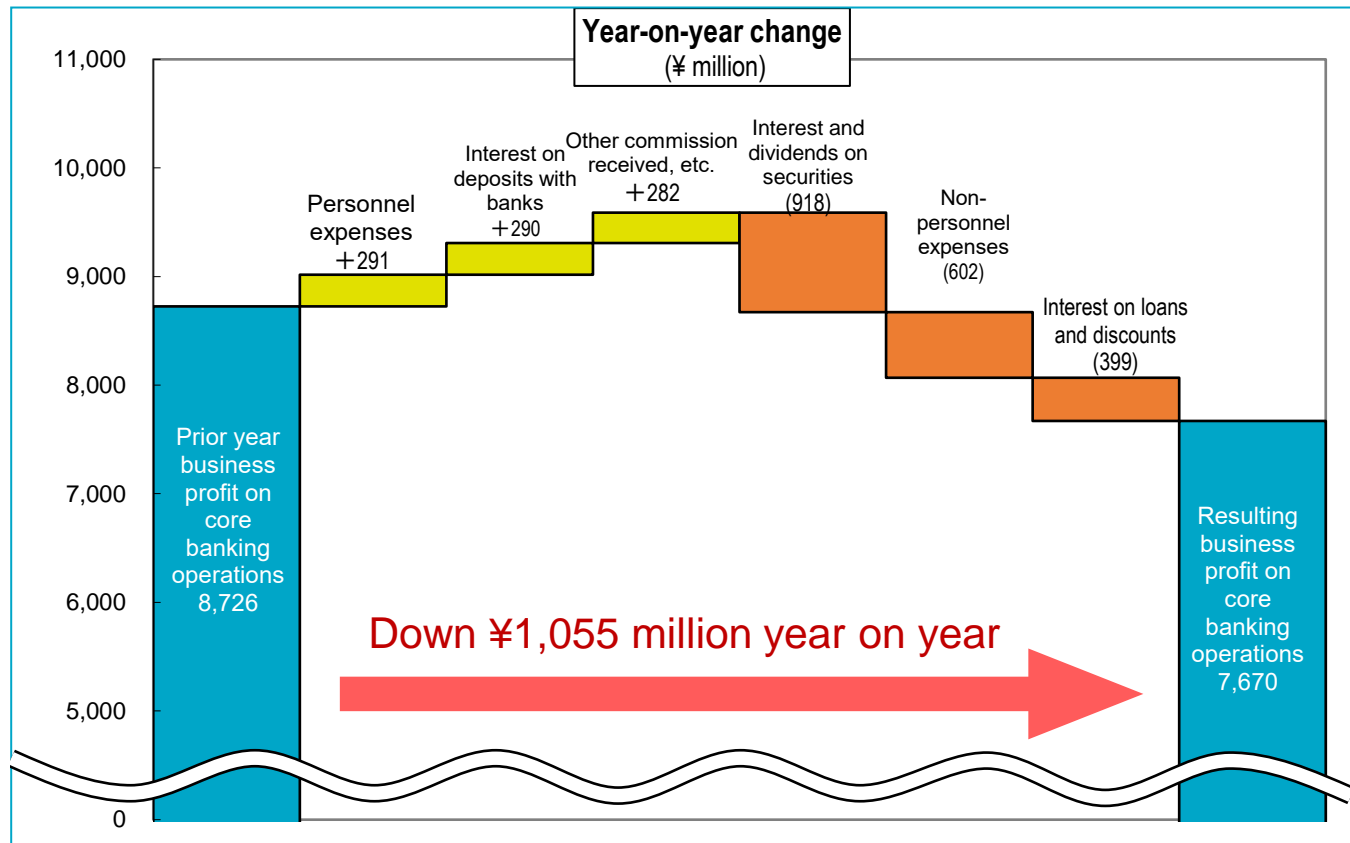
# 3

## Outline of Business Results for FY2021 (ii) [The Bank of Okinawa, Non-consolidated]



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

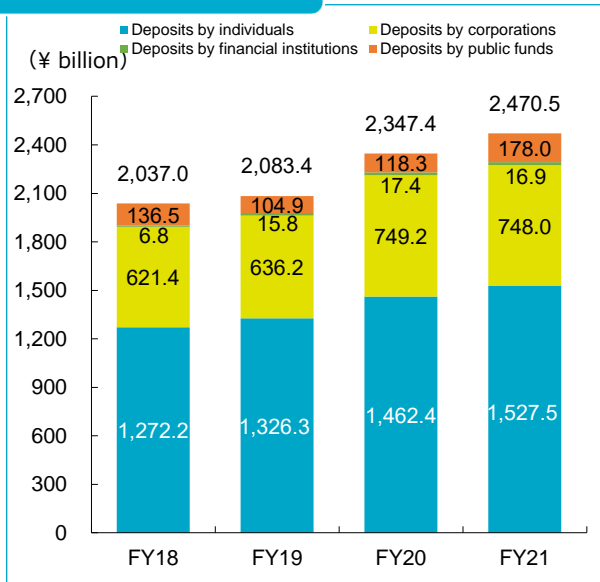
- Business profit on core banking operations decreased by ¥1,055 million year on year, mainly due to a decrease in interest and dividends on securities and an increase in non-personnel expenses, despite a decrease in personnel expenses.



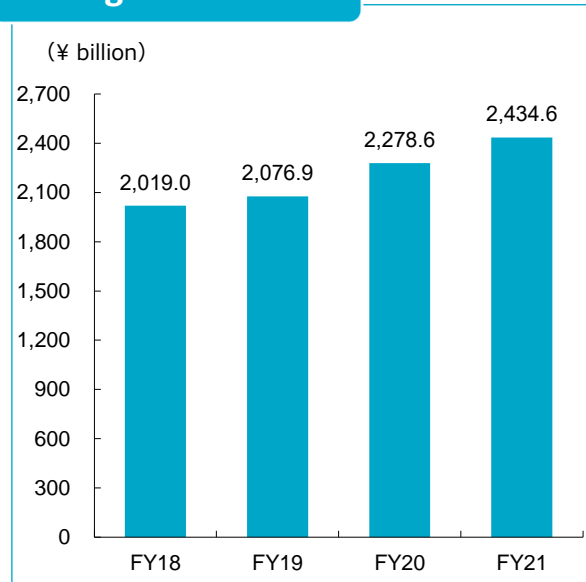
## (2) Deposits (Term-End Balance/Average Balance)

- The term-end balance of total deposits rose by ¥123.0 billion (+5.24%) from the end of the previous fiscal year, to ¥2,470.5 billion.
- Deposits by individuals rose by ¥65.0 billion, deposits by corporations dropped by ¥1.2 billion and public funds rose by ¥59.6 billion.

### Term-end balance



### Average balance



#### Deposits by individuals

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

#### Deposits by corporations

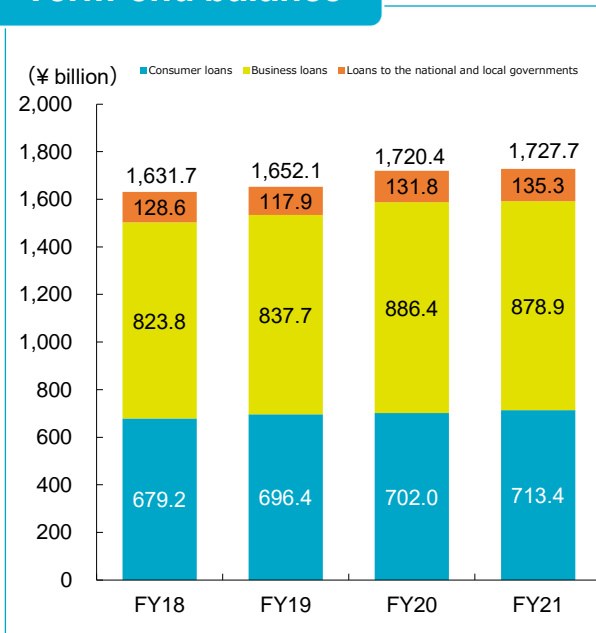
- Repayment of loans
- Shift from deposits to financial products

\*Including trust accounts.

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

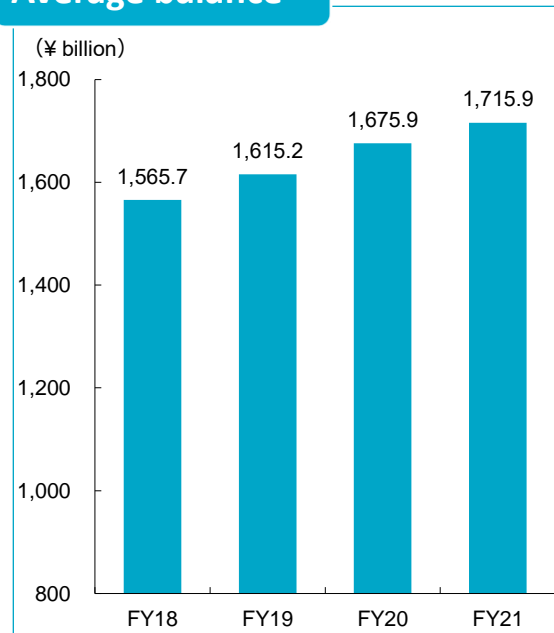
- The term-end balance of total loans and bills discounted rose by ¥7.3 billion (+0.42%) from the end of the previous fiscal year, to ¥1,727.7 billion.
- Business loans decreased by ¥7.5 billion, and consumer loans rose by ¥11.3 billion

#### Term-end balance



\*Including trust accounts.

#### Average balance



#### Factors for decrease in business loans

Decline in demand for funds due to the prolonged effect of COVID-19

#### Factors for increase in consumer loans

Increase in housing loans due to the continuous sales promotion

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

- Consumer loans rose by ¥11.3 billion (+1.62%) year on year to ¥713.4 billion.
- Of these, housing loans rose by ¥11.7 billion and other loans fell by ¥0.4 billion.

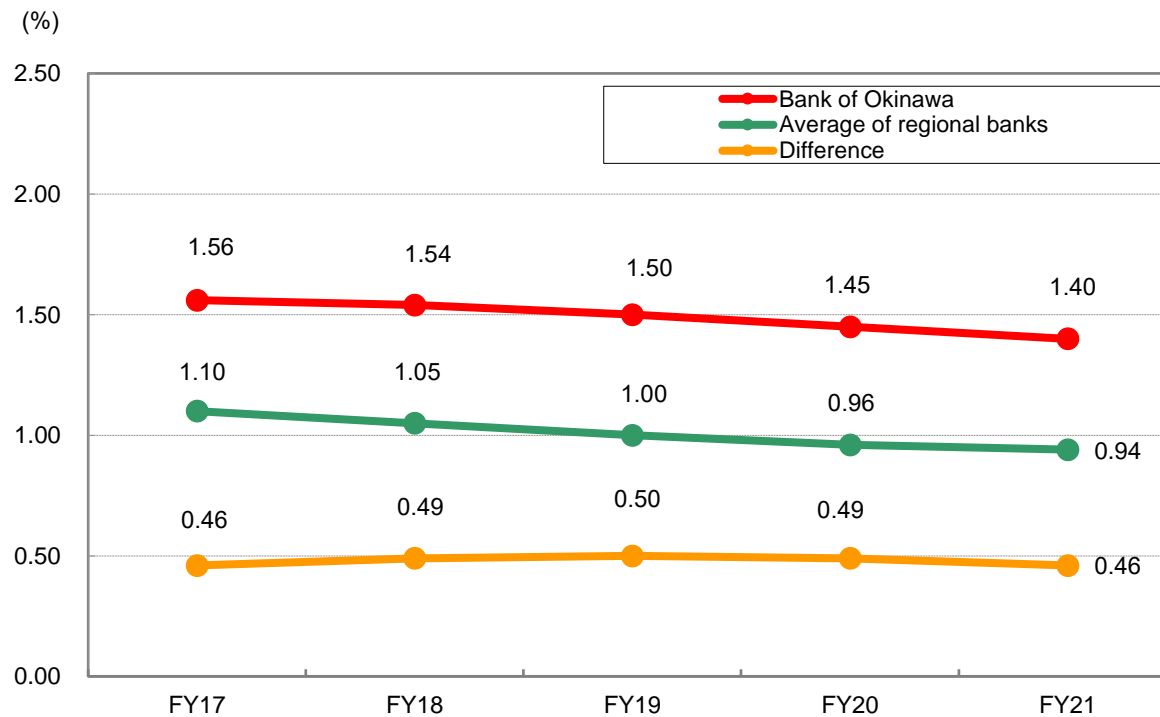


\*Including trust accounts.

\*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)

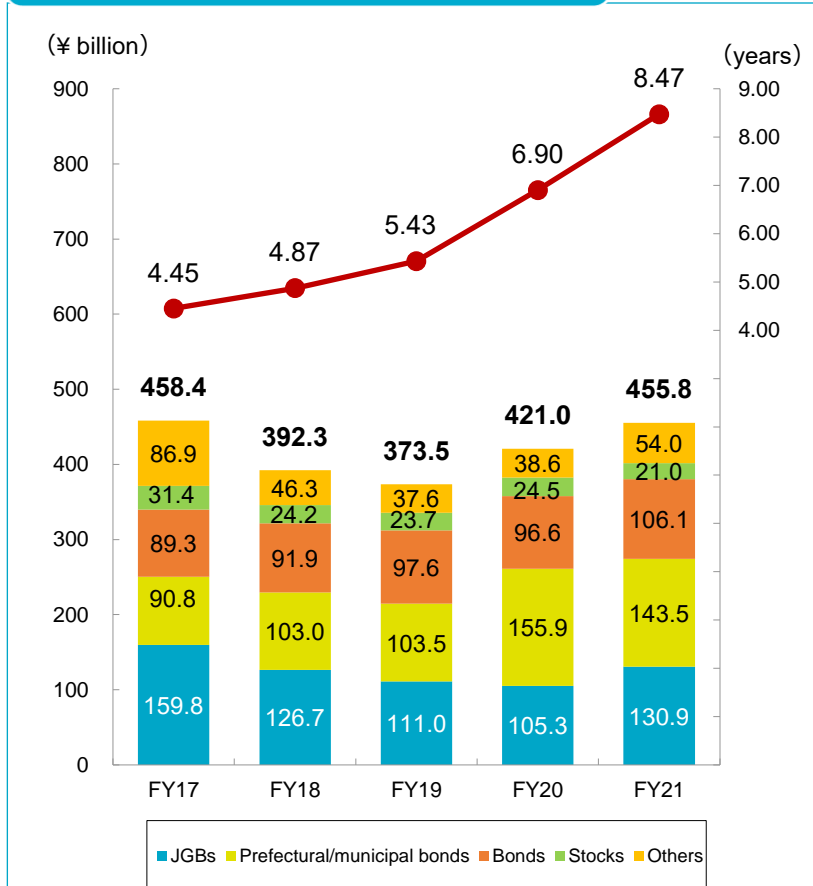
## Loan / Deposit Spreads with Regional Bank Averages



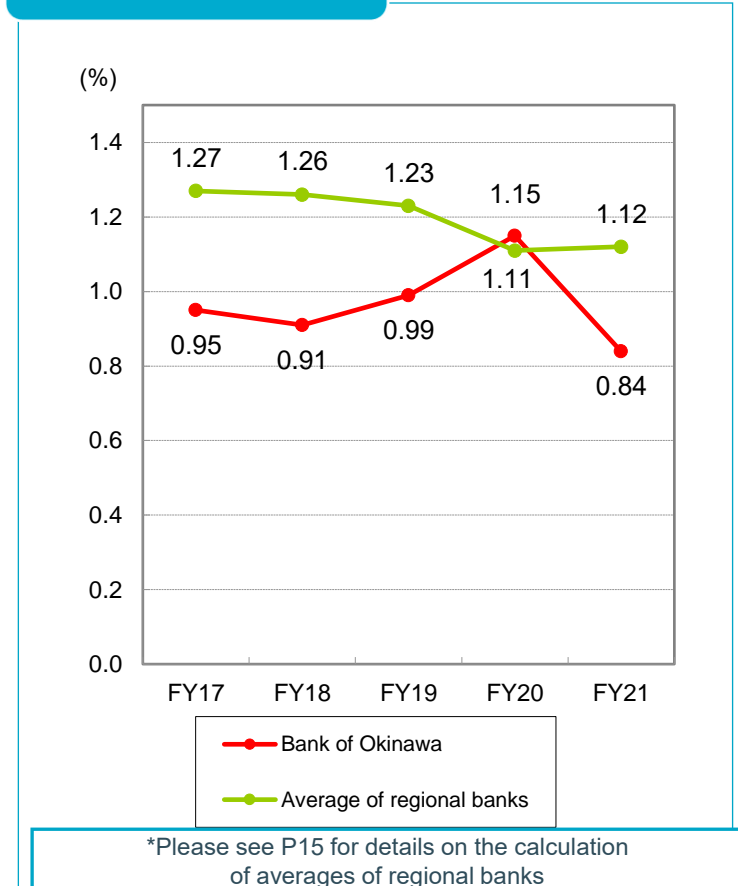
Averages of regional banks are prepared by the Bank based on the financial results of regional banks posted on the website of the Regional Banks Association of Japan.  
However, because data for the fiscal year (ending March 31) is published in June each year, the average of regional banks for FY21 1H is used for FY21.

# (6) Securities (Term-End Balance)

Term-end balance and yen bond durations



Yield on securities

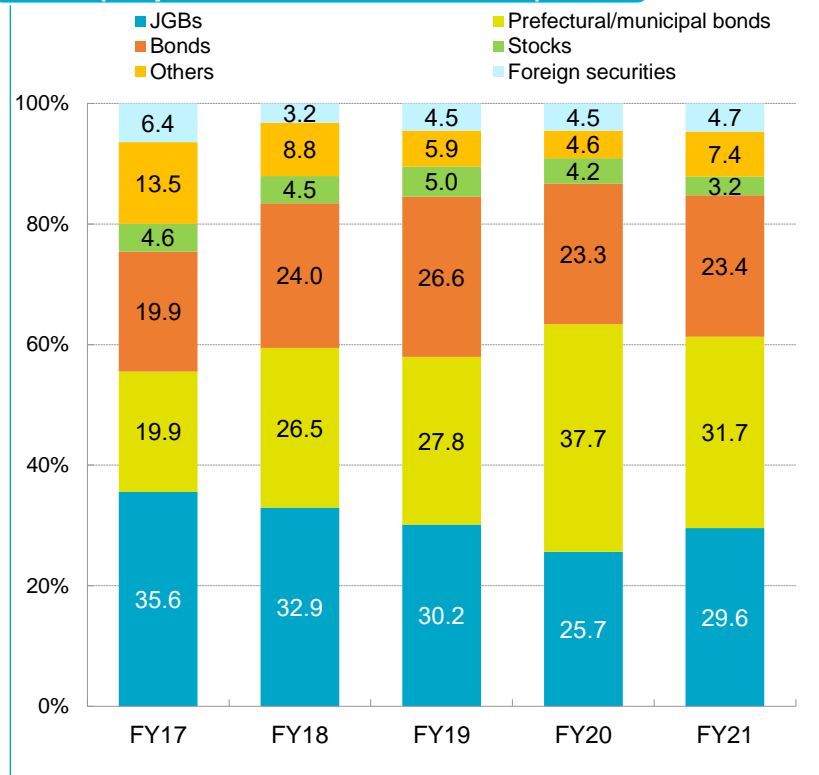




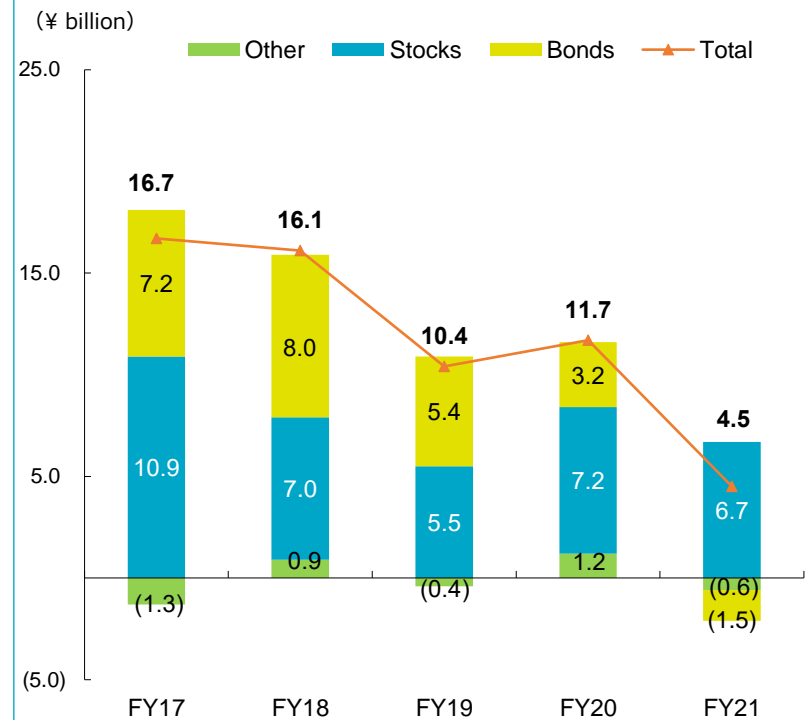
# (7) Securities Allocation and Changes in Valuation Gain/Loss

- Continuation of rebalancing from yen bond holdings. Gain on valuation of securities decreased by ¥7.1 billion year on year, to ¥4.5 billion.

Securities composition percentage  
(acquisition cost at term-end)

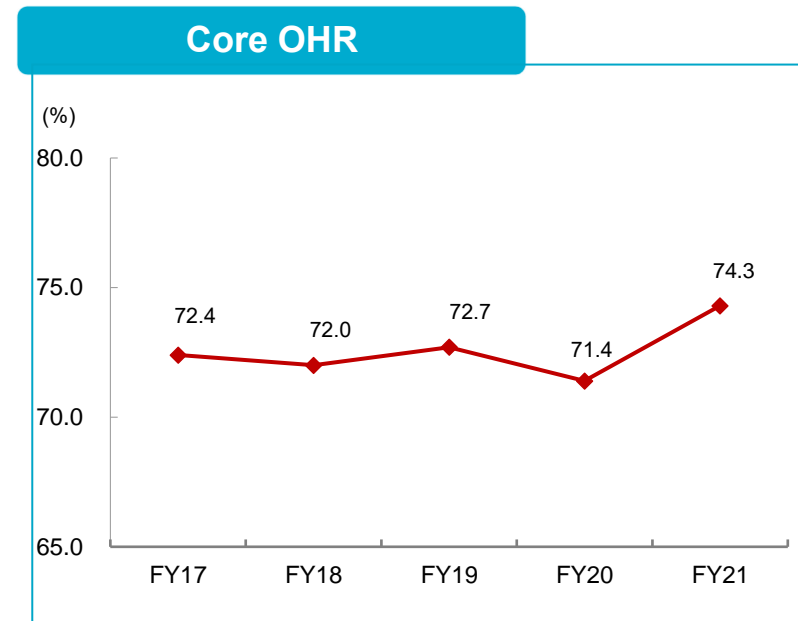
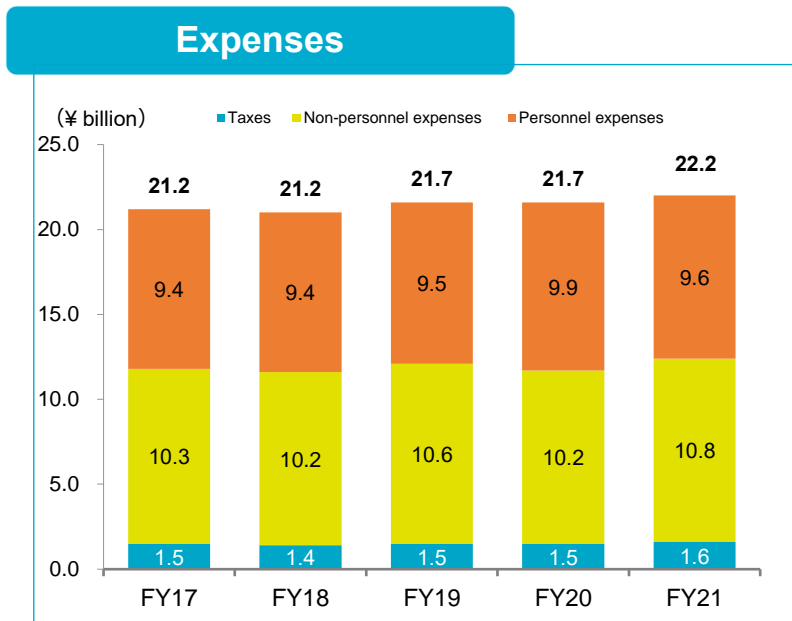


Gain (loss) on valuation of securities



# (8) Expenses

- Expenses increased by ¥433 million year on year due to an increase in non-personnel expenses, despite a decrease in personnel expenses.
- Core OHR was 74.3%, up 2.9 percentage points year on year, partly due to the decrease in business profit on core banking operations.



Decrease in personnel expenses

Increase in non-personnel expenses

Increase in Core OHR

# (9) Capital Ratio

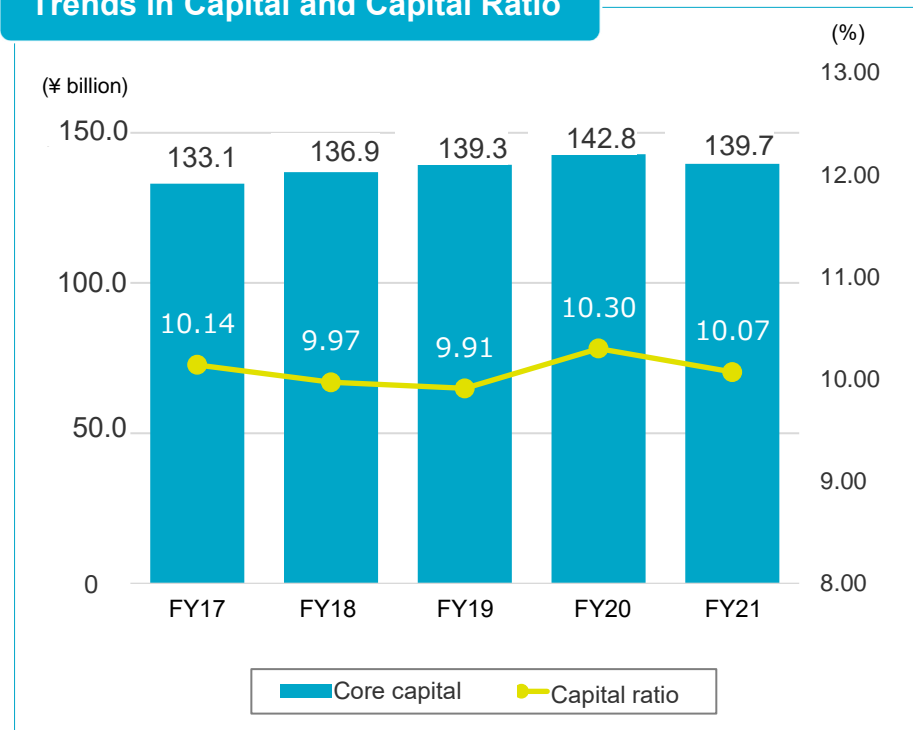
- Capital ratio (domestic standard) at 10.07%
- The capital ratio has dropped due to a decrease in capital, but soundness has been secured.

	(¥ million, %)		
	FY20	FY21	YoY change
Capital ratio	10.30	10.07	(0.23)
Capital	142,859	139,766	(3,093)
Basic elements of core capital	144,715	141,942	(2,772)
Adjustments to core capital (-)	1,856	2,176	320
Risk-weighted assets	1,386,134	1,387,710	1,576

The non-consolidated capital ratio for The Bank of Okinawa has declined due to distribution in kind associated with reorganization (establishment of the holding company) and a decrease in retained earnings due to a special dividend. The capital ratio of the Bank exceeds 9.71%, the average non-consolidated capital ratio of domestic standard regional banks in FY21 1H.

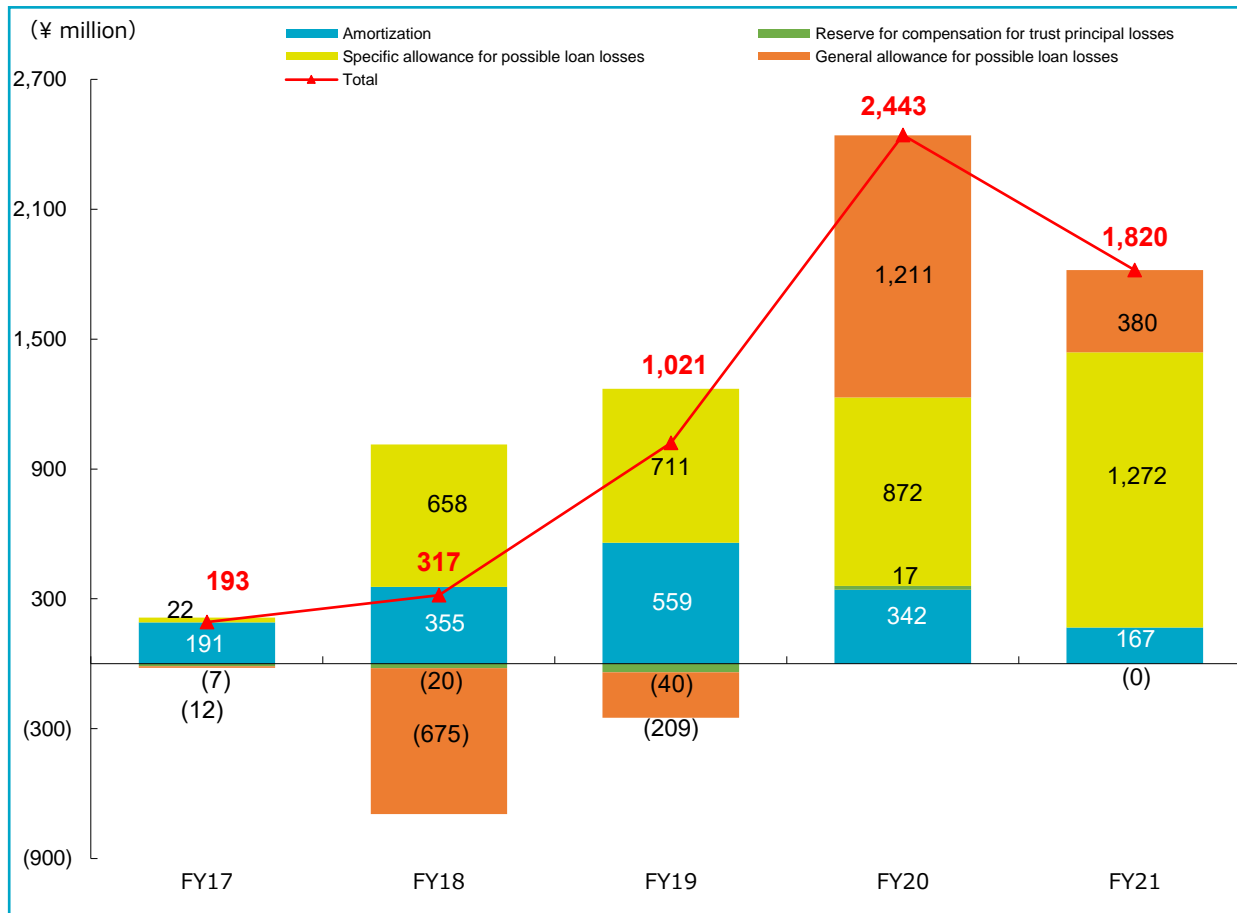
\*Please see P15 for details on the calculation of averages of regional banks

Trends in Capital and Capital Ratio



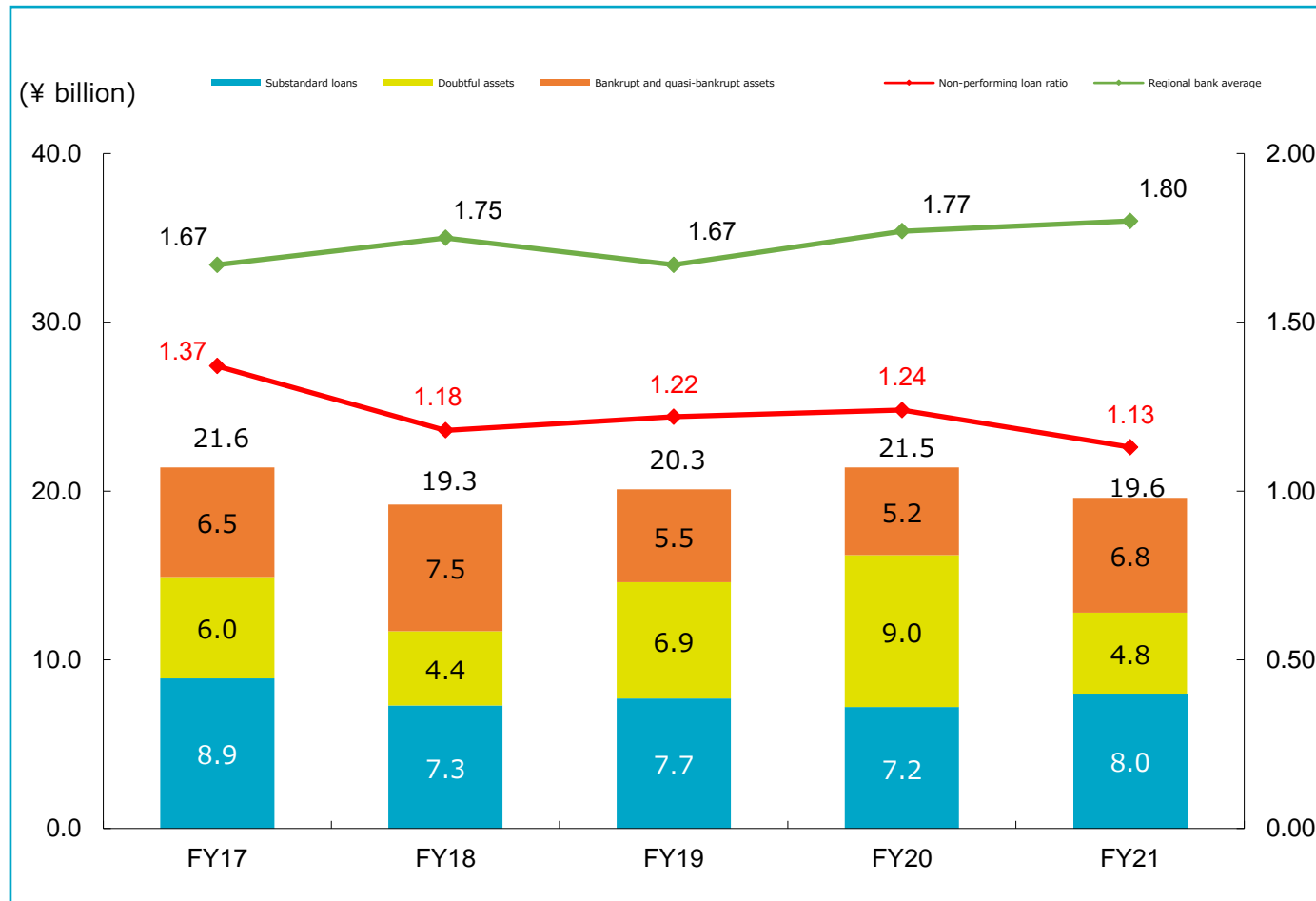
# (10) Credit Cost

- In overall terms, credit cost decreased by ¥623 million year on year to ¥1,820 million.



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

- ¥19.6 billion (non-performing loan ratio: 1.13%)
- Remained at low level, below the regional bank average of 1.80%

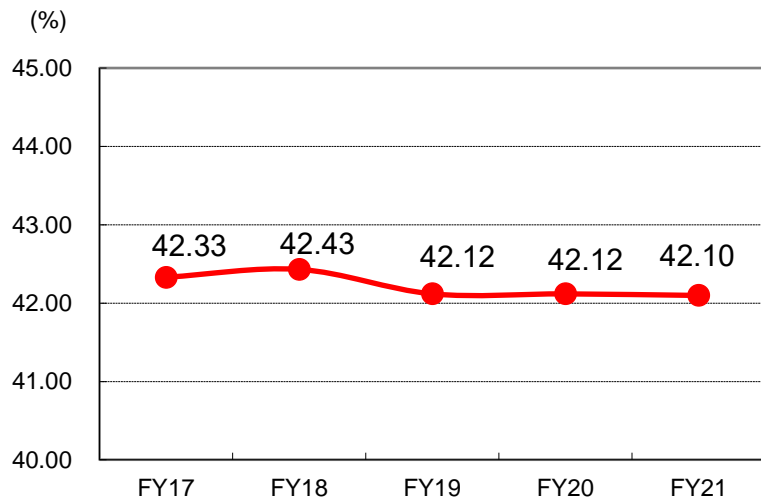


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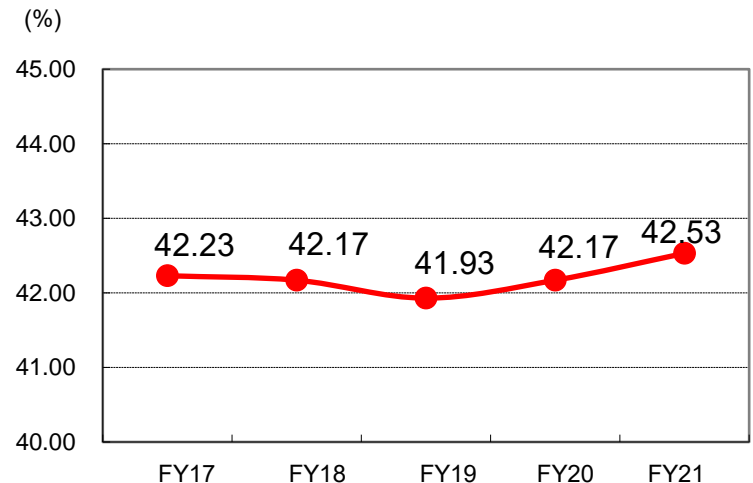
(12) Our Share of the Market Served by the Three Okinawan Regional Banks

- The share of loans and bills discounted and deposits both remained at a high level
- Loans and bills discounted: 42.10% (down 0.02 percentage points YoY)
- Deposits: 42.53% (up 0.36 percentage points YoY)

Loans and bills discounted  
(average balance share)



Deposits  
(average balance share)



# (13) Business Profit on Customer Services

	FY19	FY20	(¥ million, %) FY21
(1) Loans and bills discounted average balance	1,614,026	1,674,979	1,714,978
(2) Yield on loans and bills discounted	1.524	1.465	1.407
(3) Yield on deposits	0.053	0.016	0.006
(4) Loan / deposit spread ((2) - (3))	1.471	1.449	1.401
(5) Net fees and commissions	1,650	1,683	1,839
(6) Operating expenses	21,908	22,075	22,463
(7) Business profit on customer services	3,483	3,878	3,402
(8) Deposits average balance	2,055,095	2,261,194	2,420,015
(9) Business profit margin on customer services	0.172	0.171	0.140

\* $(7) = (1) \times (4) + (5) - (6)$

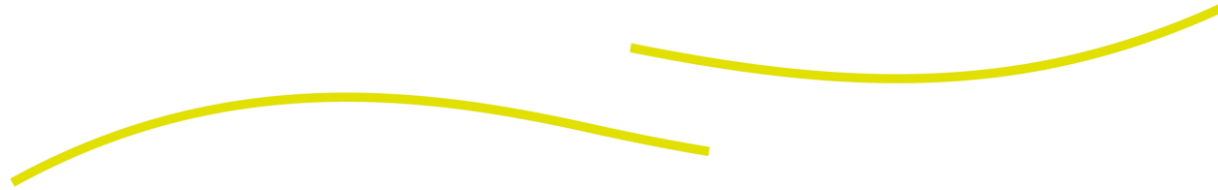
\* $(9) = (7) \div (8) \times 100$

\*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

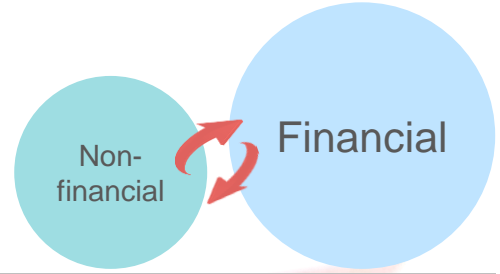
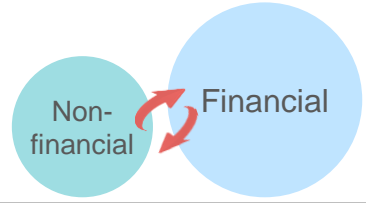
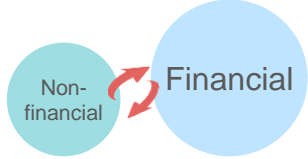
**Become a full-service group with finance at its core that leads the region through self-transformation that adapts to changes in the environment**

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

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

Regional problem-solving solutions  
 Expansion of new customer experience services

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

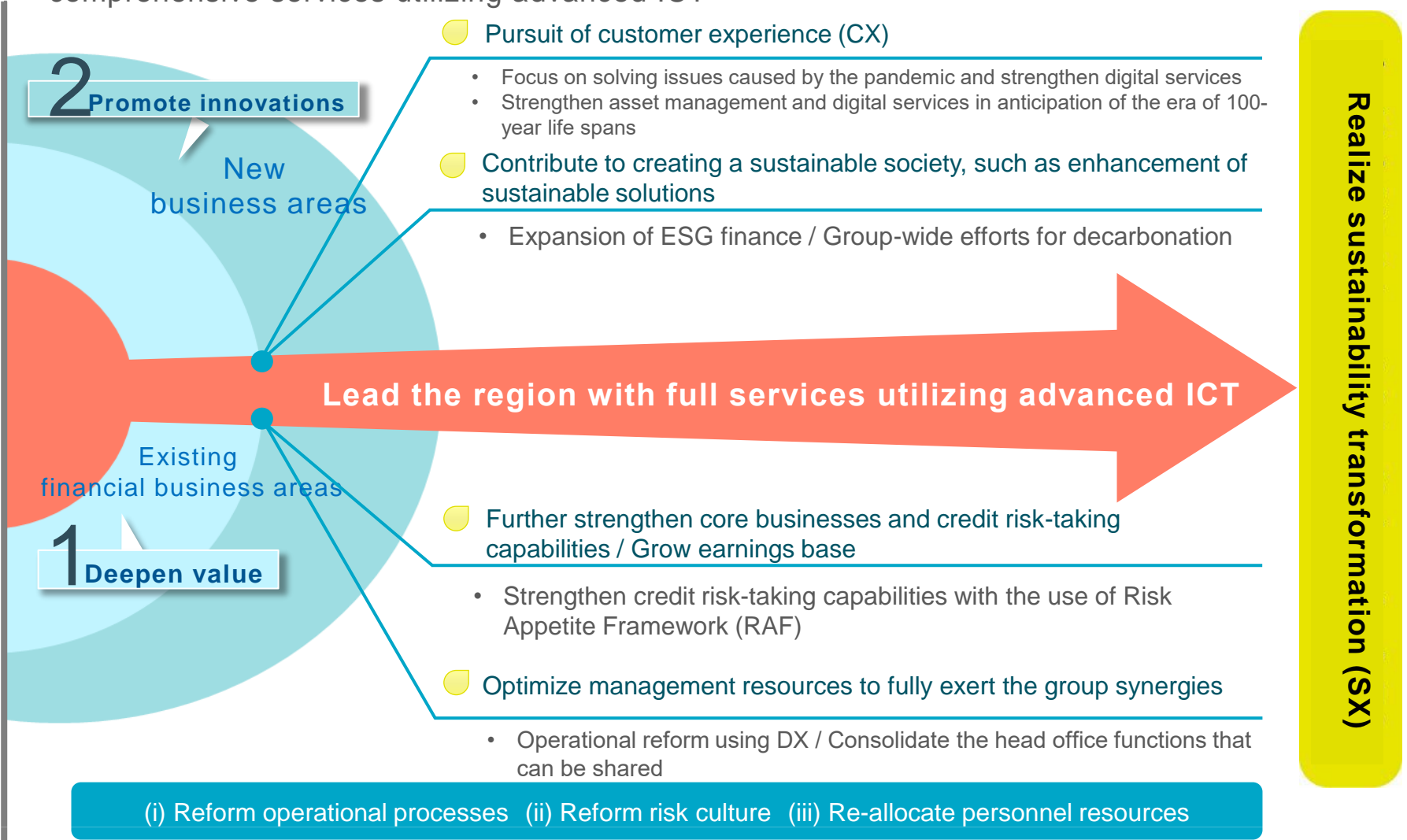
- Optimal solutions that combine financial and non-financial areas
- Improve earnings by expanding group synergies

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

Restructuring of organizational capabilities and business portfolio  
 ↓  
 Securing a sustainable competitive advantage and profit opportunities

### (3) Basic Concept of Growth Strategies (Plan for the Second Year)

- Explore in depth the existing financial business areas by building new models and honing our strengths based on a market-in approach. Also realize sustainability transformation (SX) with comprehensive services utilizing advanced ICT



\*SX is a strategic guideline for a company to focus on sustainability, achieve a good balance of earning power and ESG (Environment, Society and Governance), and reform its management style, etc.

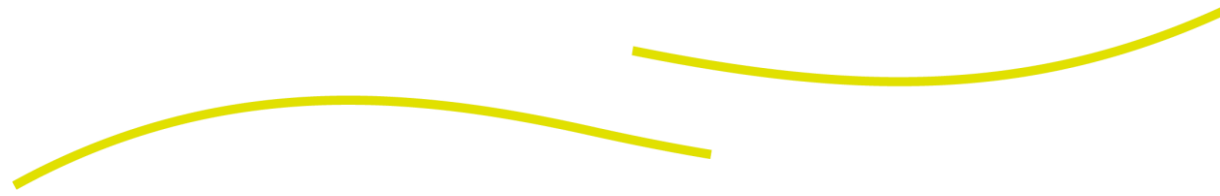
## (4) Management Indicator Targets and Dividend Policy

- Striving to improve earnings through expanding group synergies 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 Company'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><b>Common dividend</b></p> <p>Regardless of performance, we aim for a yearly common dividend of ¥70.</p> <p><b>Performance-linked dividend</b></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><b>Total return ratio</b></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.			

# 5

## Status of Efforts on Medium-Term Business Plan



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

■ A comprehensive partnership agreement with Microsoft Japan to promote DX in Okinawa region

## Microsoft, OFG, The Bank of Okinawa and Future Okinawa

### [Purpose]

Centering on DX promotion, provide support to enterprises in Okinawa Prefecture to help them address issues in order to strengthen systems that contribute to increasing their productivity and expanding their sales and profit

### [Contents of partnership]

- (i) DX awareness programs to enterprises in the prefecture
- (ii) Operation and utilization of Microsoft Base Naha



Knowhow of Microsoft Base nationwide  
Solution services provided by Microsoft



Microsoft Base Naha



OFG  
The Bank of  
Okinawa  
Future Okinawa



Enterprises in  
Okinawa  
Prefecture

■ Acquisition of DX certification provided by the Ministry of Economy, Trade and Industry



Second case in Okinawa Prefecture  
First as a financial institution in the prefecture

[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.

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

## ■ A comprehensive partnership agreement with Zamami Village

[Purpose]

Regional development and local economic revitalization in Zamami Village through close mutual cooperation and collaboration efforts in which Zamami Village and Okinawa Financial Group effectively use each other's information and functions

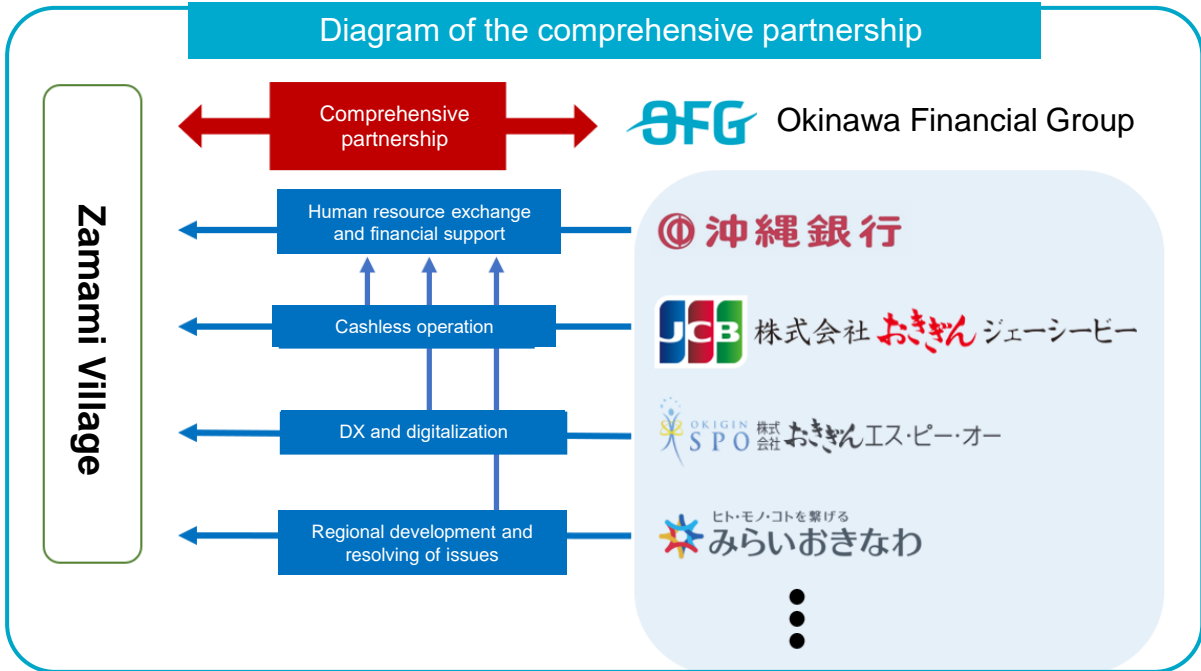
[Contents of partnership]

- Contribute to the promotion and creation of local industries and the revitalization of the local economy through collaboration
- Efforts relating to resolving issues faced by the regional community and to SDGs initiatives
- Contribute to human resource development, job creation, and employment support in the region through collaboration
- Other matters pertaining to items discussed and determined by the both parties

**OFG's Group knowhow**

**Resolve issues faced by regional community**

**Toward sustainable growth**



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

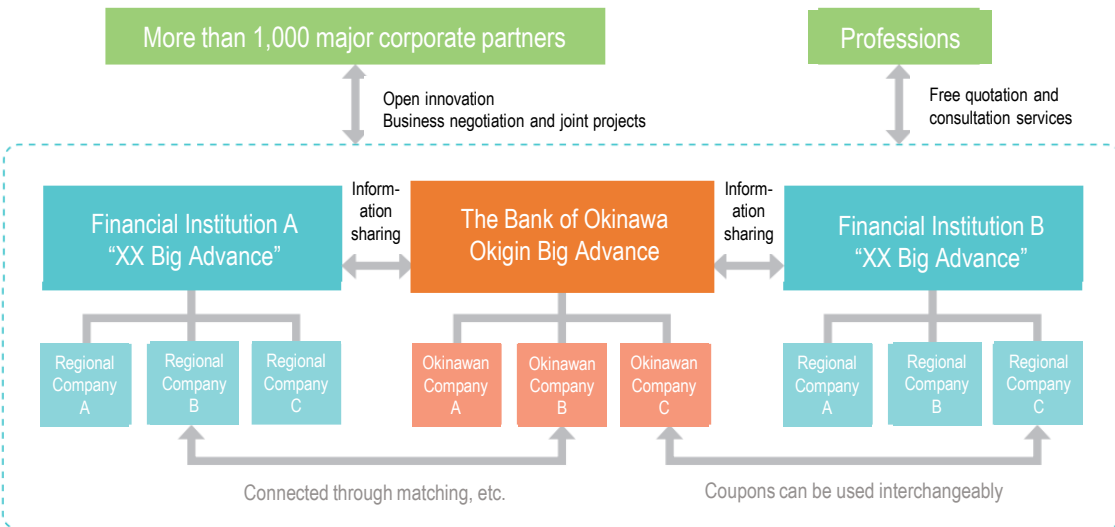
## Okigin Big Advance



## 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

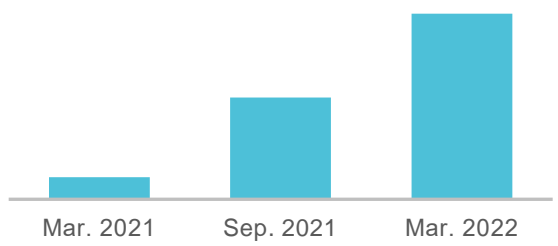
### [Structure of Big Advance]



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.

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

### [Number of parties contracting Okigin Big Advance]



- The number of parties contracted increased by approx. **8.4** times from March 2021 (top class in the nation in terms of the number of contracting parties)
- Aim to further increase the number of subscribers and encourage the use through follow-up activities

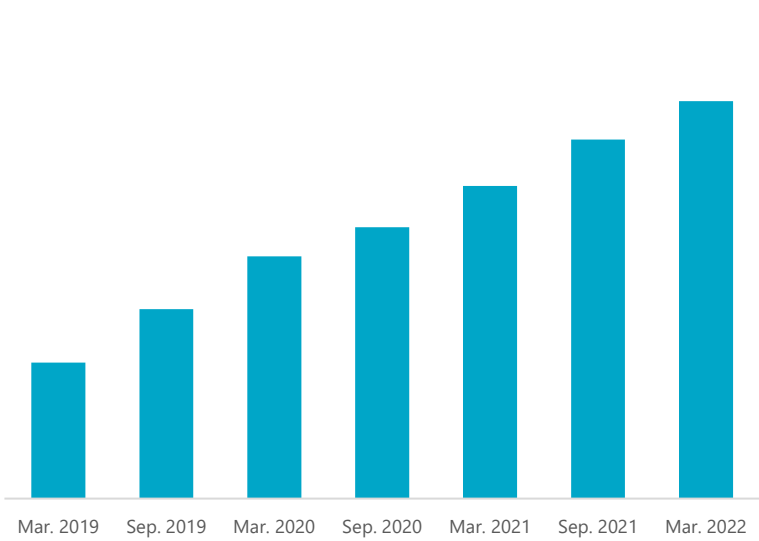


## (2) Strategy II Provide Services through a Market-in Approach (ii)

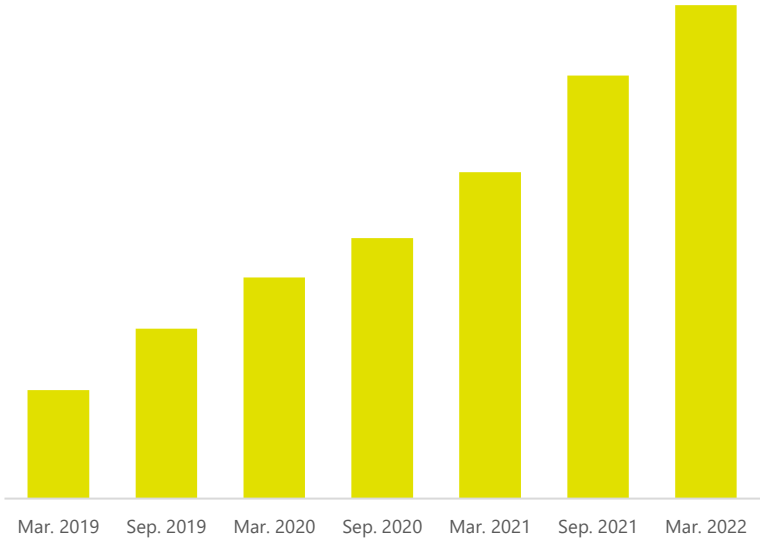
- Asset management awareness is increasing with a shift from savings to investment, in anticipation of the era of 100-year life spans
- Under our Fiduciary Duty Basic Policy, we will pursue the interests of customers in line with their needs

### Expansion of trust accumulation

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



- Number of subscribers: grown by approx. **2.9** times in three years



- Fund transfers:\* grown by approx. **4.5** times in three years

\* Fund transfers per month

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

- Enhance customer convenience and resolve issues faced by regional community with expanded functions of our smartphone apps “Okigin Smart” and “OKI Pay”
- Started online display of teller windows congestion

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

- We 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
  - **Expand the range of donation recipients**



**Okigin Smart**

\*No. of users:  
approx. 100,000

### Point!

As it is an in-house developed app, quick response is possible, including the expansion of the range of donation recipients



**Respond flexibly to issues faced by regional community**

## ■ “OKI Pay” for cashless payments

- 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.
- 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.
- **Start cash back (0.5% of the amount of transaction)**

## ■ Online display of teller windows congestion

- Congestion status can be checked with LINE, Okigin Smart and the Bank’s website
- Aim to relieve congestion at teller windows

You can **check** branch **congestion** on the **website!**

Avoid crowded hours for smooth use

[Click the screen for details](#)

**NEW**

Get 0.5% cashback of the amount of transaction transferred to your account!

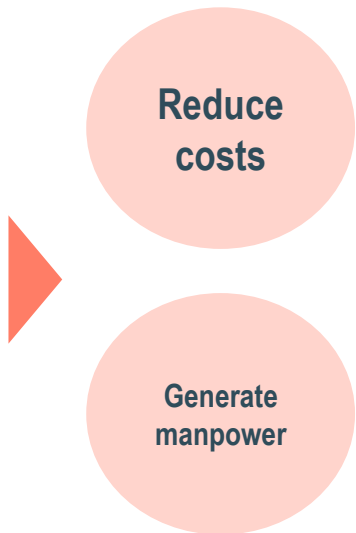
\*No. of users:  
approx. 40,000

# (3) Strategy III Optimization of Group Management Resources

## Operational reform project

- Review “affixing seals,” “face-to-face,” and “in writing” procedures across the Group. With this fundamental operational reform, we **reduce costs, generate manpower, and re-allocate them toward creation of customer contact points and foundation for CX improvement**

Categories	Major initiatives
1. Streamline operations of branches	Abolition of staff in charge of handling loans MIRAI (system to reduce paperwork): Expanding the scope of operations <b>Individual loan applications completing on the website</b> <b>Digitization of paper-based teller window services</b> <b>Acceleration of electronic contracting</b>
2. Overhaul operations of head office and Group companies	<b>Promotion of free-address workplace to accelerate paperless operations</b> <b>Reduce printers and MFPs</b> <b>Abolish and reduce fixed-line phones</b> Sort out products and services Unify and sort out systems
3. Business process re-engineering of centralized operations at head office	Consolidate centralized operations at head office (i) Loan-related Consolidate centralized operations at head office (ii) Deposit-related Consolidate centralized operations at head office (iii) Call center and Churashima Branch * Make staff engaged in centralized operations at head office multi-functional / automate the operations



## 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
- Average concentration ratio at the head office for FY21: **approx. 65%** for business customers;  
**approx. 87%** for individual customers

## 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

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

### ■ [Shared/redundant operations] Filed application as services for providing education or training to the officers or employees of the companies that belong to the group

- Application was filed as “services for providing education or training to the officers or employees of the companies that belong to the bank holding company group”
- We will enhance the education and training to be conducted on a Group-wide basis to accelerate development of personnel who can connect with customers and propose solutions that take advantage of the Group as a whole

### ■ M&A Senior Experts

- Number of qualified employees as of April 2022: 230 (of which, 228 belong to The Bank of Okinawa)
- Number of qualified employees is the highest in all regional banks in the nation
- We will encourage acquisition of the qualification across the Group

### ■ Acquisition of IT Passport / IT Coordinator qualifications

- Foster personnel who support customers' DX promotion on a Group-wide basis
- Target for the number of IT Passport qualified employees: 120 (As of March 31, 2023)
- Encourage acquisition of the IT Coordinator qualification mainly for IT Passport holders and those certified as Small and Medium sized Enterprise Consultants

### ■ Small and Medium sized Enterprise Consultants

- Help the acquisition of qualification with a training program
- Number of qualified employees as of March 31, 2022: 34



### ■ Okinawa Human Resource Development Company Certification

- Certified as Okinawa Human Resource Development Company by Okinawa Prefecture on December 24, 2020 (The Bank of Okinawa)
- Aim to realize a workplace where employees can actively work, finding job satisfaction in customer delight

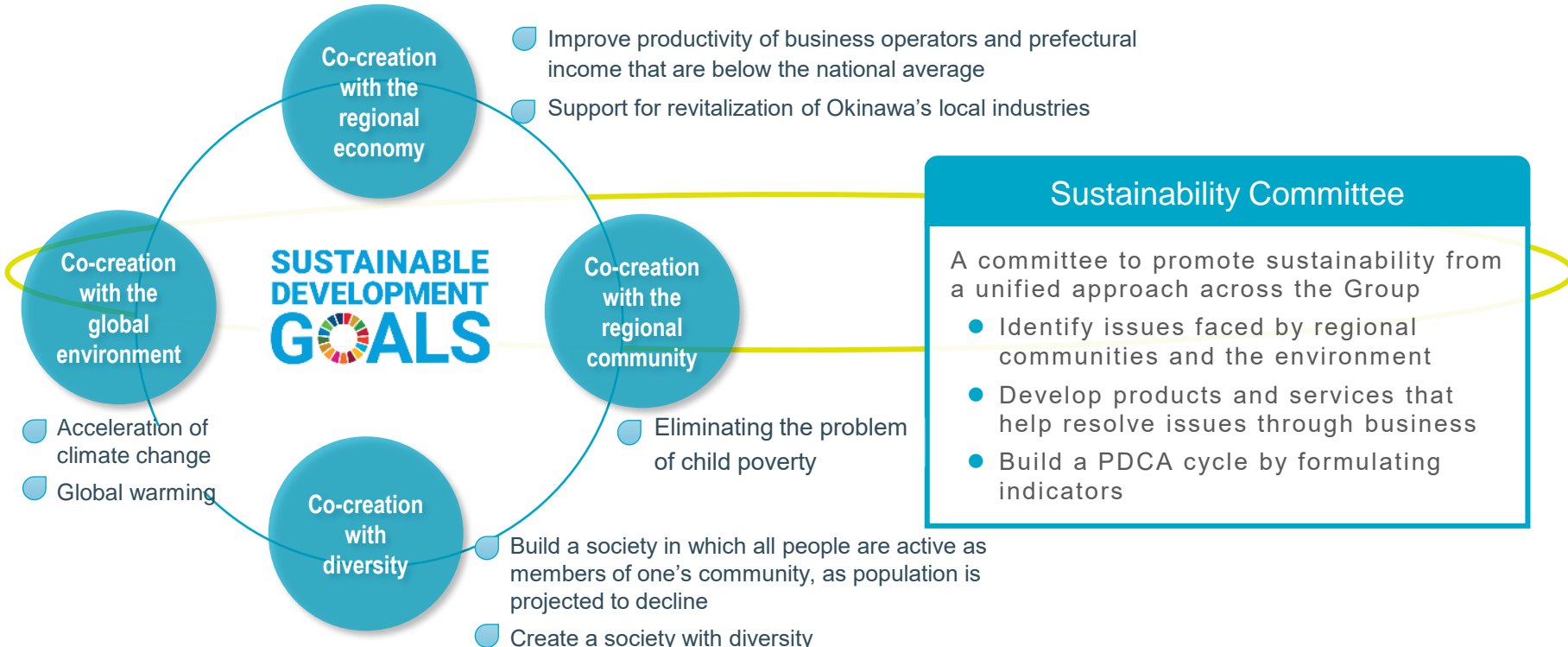


# 6

## Addressing SDGs/ESG through Business Activities

# (1) Strengthen SDGs/ESG Initiatives by Sustainability Committee

- We established a Sustainability Committee in February 2022 aimed at implementing concrete initiatives, based on the Okinawa Financial Group Sustainability Policy
- In addition to the initiatives necessary for responding to the TCFD recommendations (carbon reduction/decarbonation of its own sites and in the commercial distribution; expansion of sustainable finance), we accelerate initiatives to realize sustainability management, including the formulation of management indicators incorporating sustainability, in line with the Medium-Term Business Plan



**Supporting the TCFD recommendations** In line with the TCFD recommendations (governance, strategies, risk management, metrics and targets), consider and implement actions the Group must take

\* 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.

# (2) Environmental Initiatives

## ■ Supporting the TCFD recommendations

The Group perceives the environment and climate change response as key issues, and we 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.



## ■ 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

### [Future Initiatives]

- 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 discuss other forms of collaboration in line with the purpose of the agreement

## ■ Adopted Ministry of the Environment’s subsidies for CO<sub>2</sub> emission control measure projects FY2021

**Future Okinawa × Asian Gateway Corporation × TOKYO SANGYO CO., LTD.**

### [Project name]

- Project to establish a local-contributing, decarbonized logistics system through the use of battery-replaceable EVs and battery stations (of which, master plan development project)

### [Project overview]

- Widely use the battery-replaceable electric two-wheeled vehicles with permanent Internet connection (smart scooters) as a means of transportation between functional centers for daily life, such as for logistics, commuting to work and school and sightseeing in the region, with an aim to contribute to the south-central part of Okinawa main island and elsewhere
- Also with the installation of battery replacement stations with rooftop photovoltaic power generation systems, contribute to the local disaster preparedness and decarbonization, in an effort to build a sustainable society

## ■ OFG Group clean-up activities

- OFG Group volunteer clean-up activity for pumice stone removal
- OFG Group officers’ and employees’ coastal clean-up activity

[Efforts in FY21]  
Total number of participants: 751  
Number of activities held: 21 (20 locations in the prefecture, 1 in Tokyo)  
Total number of hours worked: 751 hours

\* Participants include family members, etc. of officers and employees

### (3) Social Initiatives (i)

- The proportion of children living in poverty in Okinawa is approximately twice the national average  
⇒ Support through business activities

#### ■ Using 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

[Juniors Jazz Orchestra Okinawa]

- We also presented tickets for Tatsuya Ishii Special Concert 2022 in Okinawa presented by Okinawa Financial Group



#### ■ 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



#### ■ Presented PCs for study to Kujira Terako-ya private school

- Presented PCs for study for an organization engaged in creating a place for children through holding programming classes for children taught by volunteers



[Items donated]  
10 reused PCs

#### ■ Initiative to abolish passbooks

- We increased the number of passbook-free accounts by approx. **19 thousand** from October 2019 to March 2022, through DX initiatives such as expanded functions for Okigin Smart
- We donated part of the cost saving from abolishing passbooks

[Recipients of donations by April 2022]

- Specified nonprofit corporation Encourage
- Public interest incorporated association Okinawa Federation of Mothers, Children and Widows Welfare
- General incorporated association Victory Church
- General incorporated association Kodomo Food Bank KFB



### (3) Social Initiatives (ii)

- Initiatives to promote female participation and to improve officers' and employee's engagement
- The Group will continue to work together as one to engage in these initiatives

#### ■ Mandatory one-month paid childcare leave for male employees

- Prior implementation at The Bank of Okinawa, with a plan to expand to all Okinawa Financial Group companies
- Sends a strong message "Fathers and mothers should be equally responsible for and equally participate in child-rearing"

[Acquisition status from FY19 to FY21]

Female employees at each OFG company

Acquisition rate of childcare leave: 100%  
Average days: 257 days

Male employees at each OFG company

Acquisition rate of childcare leave: 14%  
Average days: 18 days



**Reform the mindset with mandatory childcare leave for male employees to create an organization where employees can actively work regardless of gender**

#### ■ Start the use of original family name: aiming for a safe and rewarding workplace

- Prior implementation at The Bank of Okinawa, with a plan to expand to all Okinawa Financial Group companies
- Establishing a program to allow for the use of original family name, we respect each person's privacy and create an environment where employees can work with a peace of mind
- Aim to further improve service to customers by increasing employees' engagement

#### ■ 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 2022

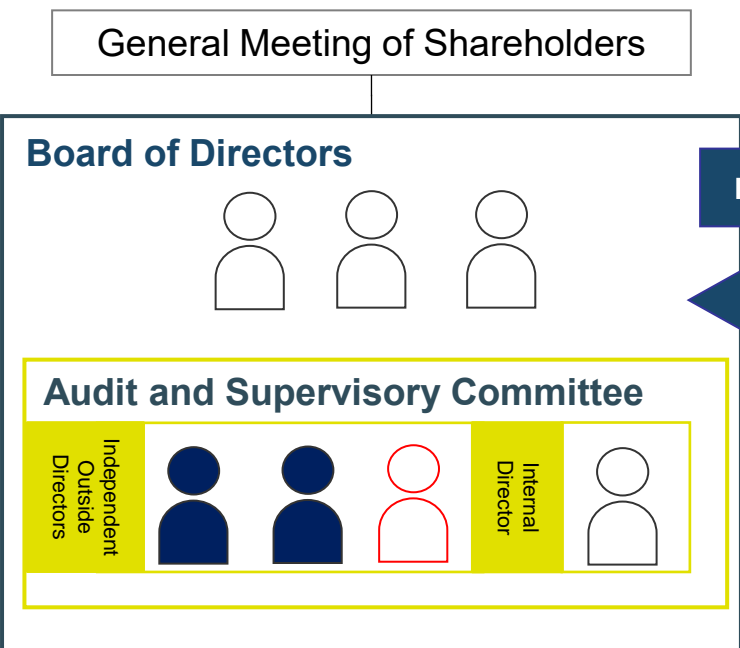
- We have been recognized under the Certified Health & Productivity Management Organization Recognition Program for five consecutive years since 2018



2022  
**健康経営優良法人**  
Health and productivity

# (4) Governance Initiatives (i)

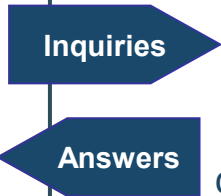
- Established as a company with audit and supervisory committee
- We established the Group Nomination and Compensation Advisory Committee to ensure the transparency and objectivity of decisions relating to the nomination and compensation of Directors, etc.



## Audit and Supervisory Committee

- We established the Audit and Supervisory Committee that attends meetings of the Board of Directors and the Group Management Committee, and audits the status of business execution of Directors from various angles, in accordance with the audit policy and audit plan.

## 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%

## Proportion of Female Officers

- 1 out of 7 = 14.2%, a proportion of female officers exceeding 10.5%, which is the proportion indicated by the Gender Equality Bureau Cabinet Office for the banking sector

# (4) Governance Initiatives (ii)

## ■ Response to the Corporate Governance Code

- Policy for cross-shareholdings: Reduction of cross-shareholdings is clarified. Significance of holding such shares is reported to the Board of Directors.

An excerpt from the Corporate Governance Report of Okinawa Financial Group

Principle 1.4  
 The Group holds shares as cross-shareholdings when it is deemed necessary for sustainably increasing the corporate value of its partners and the Group.  
 The necessity for each individual cross-shareholding is examined in light of the cost of capital and in terms of medium- to long-term economic rationale, future outlook and relevance to the local economy. We will reduce the number of shares that are deemed not economically rational to hold. Significance of holding such shares is reported to and examined by the Board of Directors annually.

	Mar. 2019	Mar. 2020	Mar. 2021	Mar. 2022
<b>Number of issues held as cross-shareholdings</b>	16 issues	15 issues	14 issues	13 issues

- Target for the proportion of female managers: 30% (Target by March 31, 2024)

Supplementary Principle 2.4.1  
 The Company formulated a Plan of Action for General Employers pursuant to the Act on the Promotion of Female Participation and Career Advancement in the Workplace. Under the plan, we set the following targets.

- Raise the proportion of female managers to 30%.

[As of March 31, 2022] Proportion of female managers

<b>OFG as a whole</b>	24.4%	<b>The Bank of Okinawa</b>	26.4%
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# 7

## Business Performance Forecasts for FY2022



# (1) Business Performance Forecasts for FY2022

- We forecast net income attributable to owners of the parent of ¥4.9 billion for FY2022

## Business Performance Forecasts for FY2022

(¥ billion)

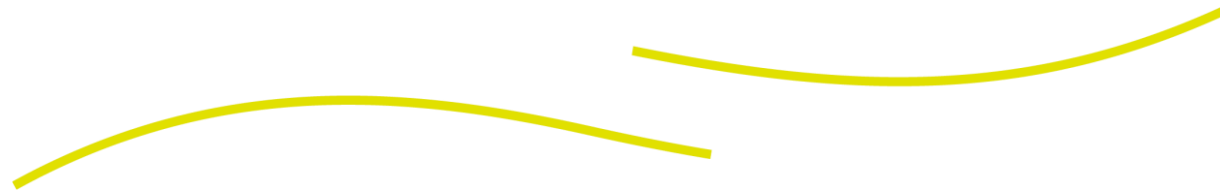
	FY2022 business performance forecasts	Year-on-year change	FY2021 (results)
Ordinary income	49.4	(1.0)	50.4
Ordinary profit	7.5	(0.5)	8.0
Net income attributable to owners of the parent	4.9	(0.1)	5.0

[Reference] Non-consolidated business performance forecast for The Bank of Okinawa for FY2022 (¥ billion)

	FY2022 business performance forecasts	Year-on-year change	FY2021 (results)
Ordinary income	34.4	(1.3)	35.7
Business profit on core banking operations	7.7	0.1	7.6
Ordinary profit	6.5	(0.2)	6.7
Net income	4.5	(0.1)	4.6

# 8

## [Supplemental Materials] Business Environment in Okinawa



# (1) Profile of Okinawa Prefecture

- Okinawa is the only prefecture of which population is increasing among 47 prefectures. The same applies to natural increase.
- Regional brand survey shows that the attractiveness of the prefecture is at the third place in the nation as in the previous year, indicating its high attractiveness

Rate of change in population

Rank	Prefecture	Rate of change
1	Okinawa	0.07
2	Kanagawa	-0.01
3	Saitama	-0.06
4	Chiba	-0.15
5	Shiga	-0.22
5	Fukuoka	-0.22
7	Tokyo	-0.27
8	Aichi	-0.34
9	Osaka	-0.36
10	Miyagi	-0.51
National average		-0.51

Source: Statistics Bureau, Ministry of Internal Affairs and Communications of Japan, Population Estimates (as of October 1, 2021)

Rate of natural increase /decrease in population

Rank	Prefecture	Rate of change
1	Okinawa	0.09
2	Tokyo	-0.21
3	Aichi	-0.23
4	Shiga	-0.24
5	Kanagawa	-0.32
6	Fukuoka	-0.35
7	Saitama	-0.38
8	Chiba	-0.41
9	Osaka	-0.43
10	Hiroshima	-0.44
National average		-0.48

Source: Statistics Bureau, Ministry of Internal Affairs and Communications of Japan, Population Estimates (as of October 1, 2021)

Regional brand survey

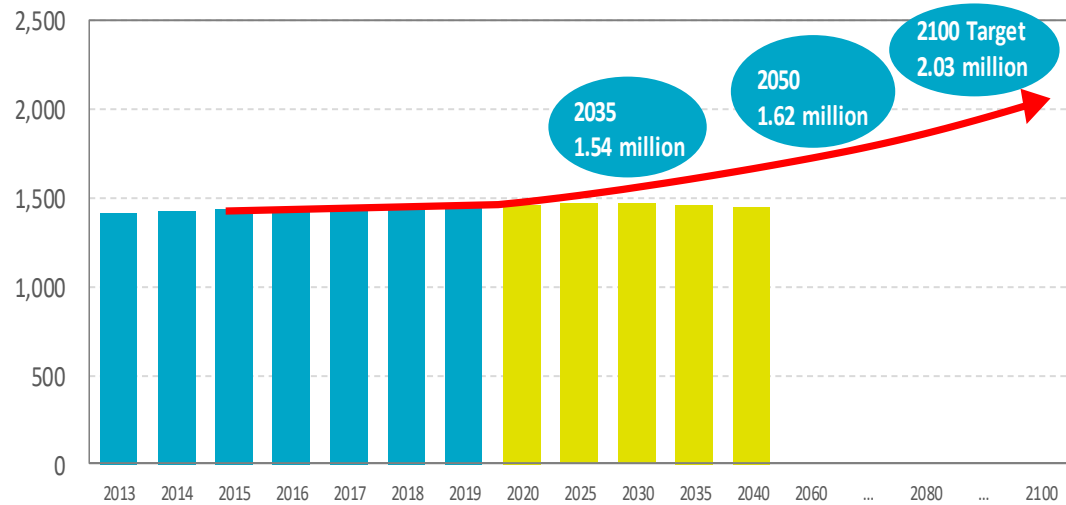
Rank	Prefecture	Attractiveness
1	Hokkaido	73.4
2	Kyoto	56.4
3	Okinawa	54.4
4	Tokyo	47.5
5	Osaka	42.0
6	Kanagawa	40.0
7	Fukuoka	37.5
8	Nagasaki	33.9
9	Nara	33.4
10	Nagano	32.5
10	Ishikawa	32.5

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, aiming for continued increase in population according to the prefectural plan.

(in thousands)



(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

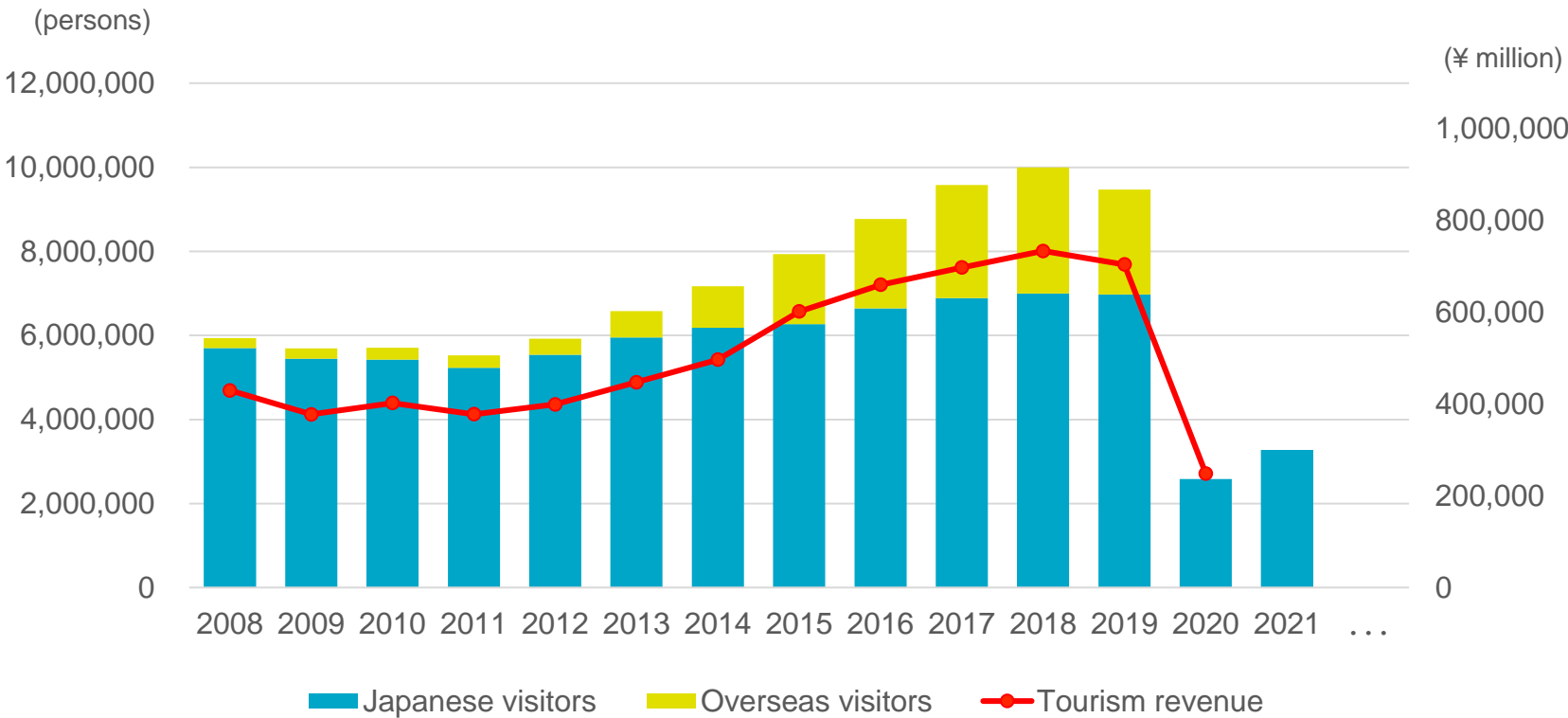
Source: National Institute of Population and Social Security Research, Okinawa 21st Century Vision Yugafu Shimazukuri Plan



### (3) Number of Visitors to Okinawa

- The number of tourists visiting Okinawa in FY2021 was 3.27 million
- Took an upward turn for the first time in 3 years showing a slight pickup, but it remains at roughly 30% of the peak level. More time will be needed for recovery.

Trends in the number of visitors and tourism revenues

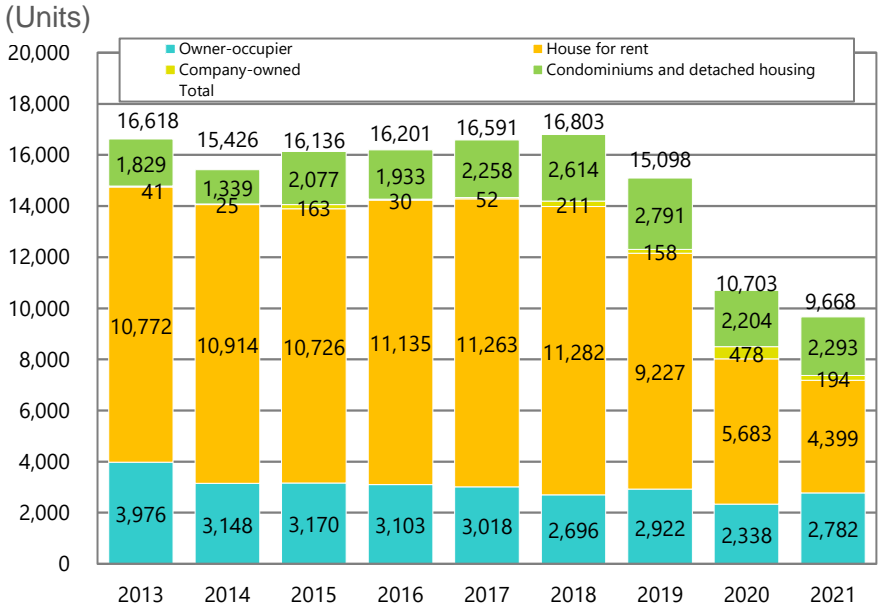


Source: Tourism Policy Division, Department of Culture, Tourism and Sports, Okinawa Prefectural Government

# (4) Housing Market Trends in Okinawa

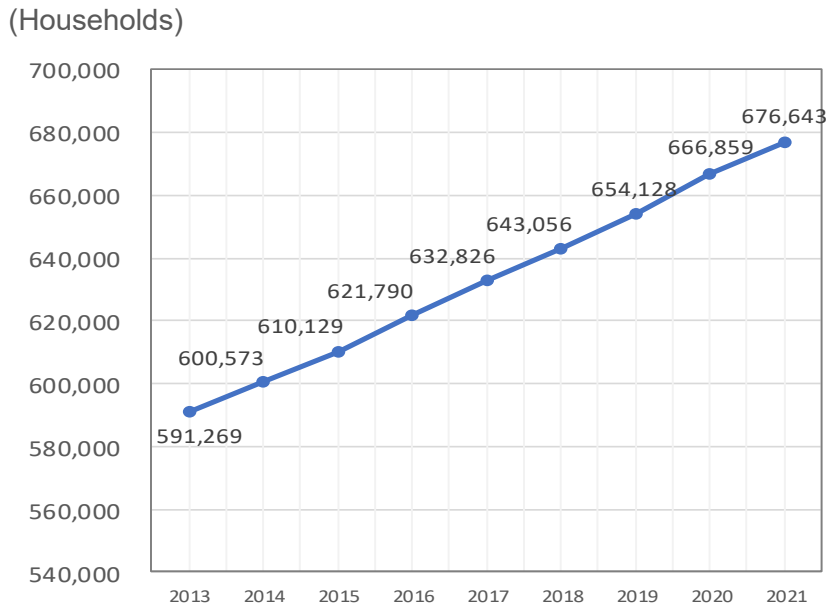
- The number of housing starts in Okinawa Prefecture has been decreasing
- As population and number of households are both increasing, housing demand is expected to remain solid

Number of new housing starts



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

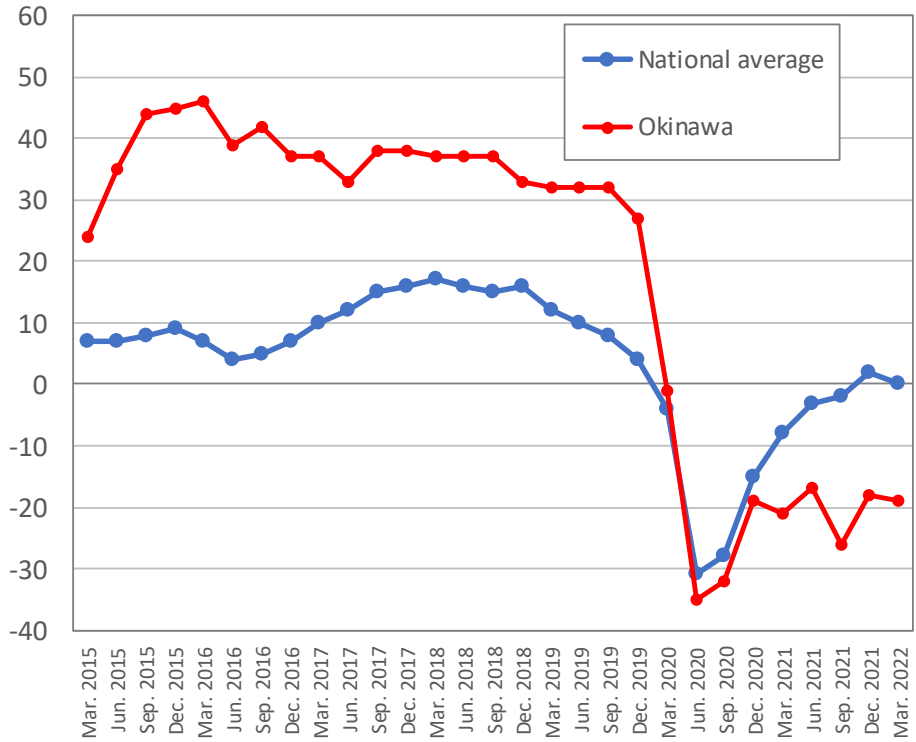
Total number of households in Okinawa



Source: Municipal Administration Division, Department of Planning, Okinawa Prefectural Government

# (5) Economic Trends in Okinawa (i)

## BOJ Tankan Business Confidence DI



Source: BOJ Naha Branch

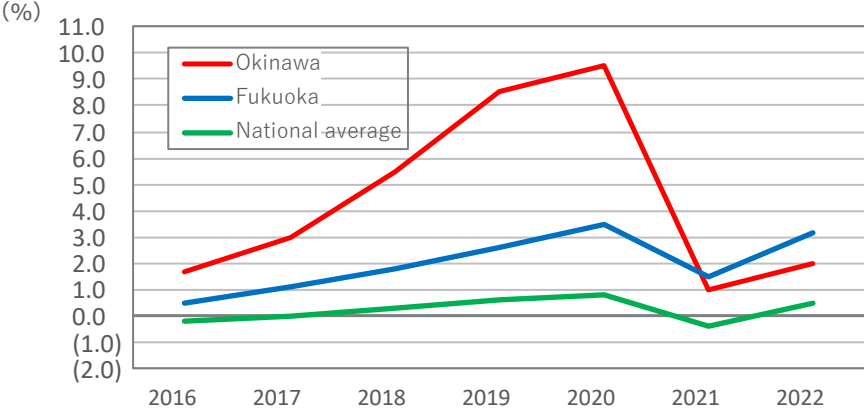
### Overview

- ◆ Conditions in the prefectural economy remain challenging for economic activity overall due to the impact of COVID-19 causing a prolonged delay in the recovery, but there is a sign of pickup.
- ◆ **Personal consumption** is slightly picking up.
- ◆ **Tourism** also faces adverse conditions but there is a sign of pickup.
- ◆ **Public investment** is gradually increasing.
- ◆ The downturn in **capital investment** is slowing.
- ◆ The downturn in **residential investment** is slowing.

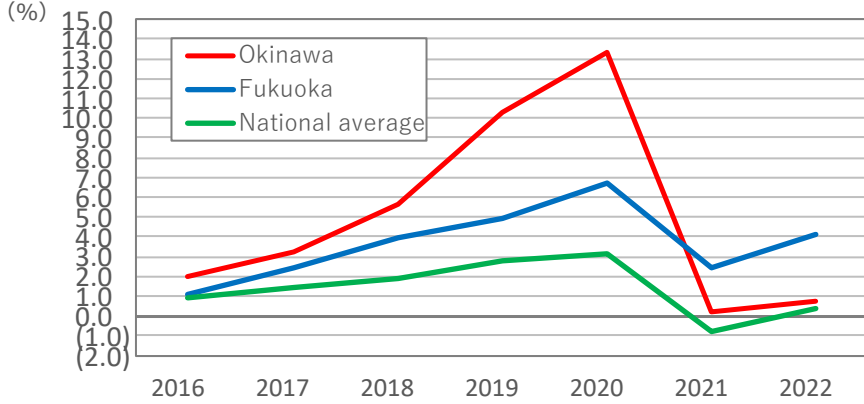
# (5) Economic Trends in Okinawa (ii)

## Official land prices

### Residential land prices



### Commercial land prices



Source: Ministry of Land, Infrastructure, Transport and Tourism

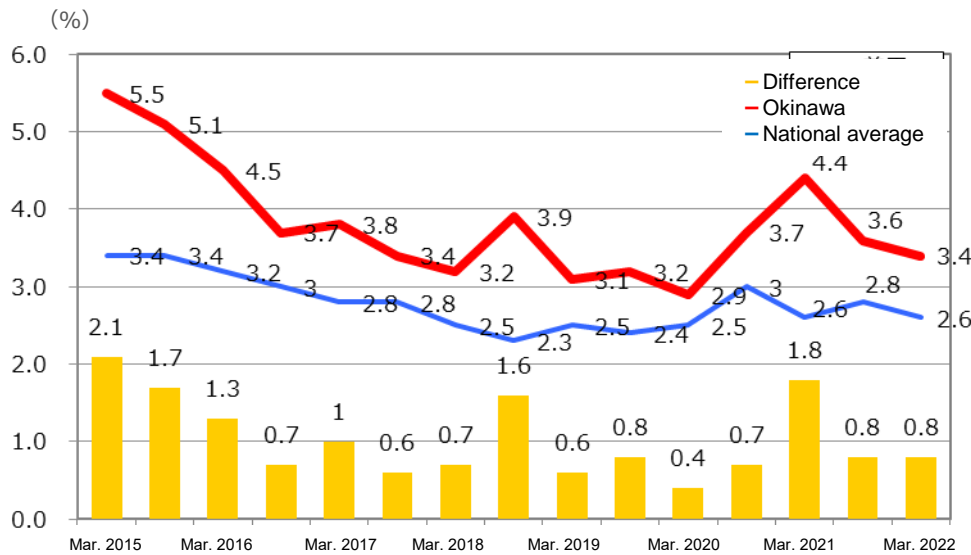
### Overview

- ◆ **Average residential land prices in Okinawa increased by 2.0%, after increasing 1.0% in the previous year,** showing a mild increase. 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 0.7%, after increasing 0.2% in the previous year,** showing a mild increase. 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 (iii)

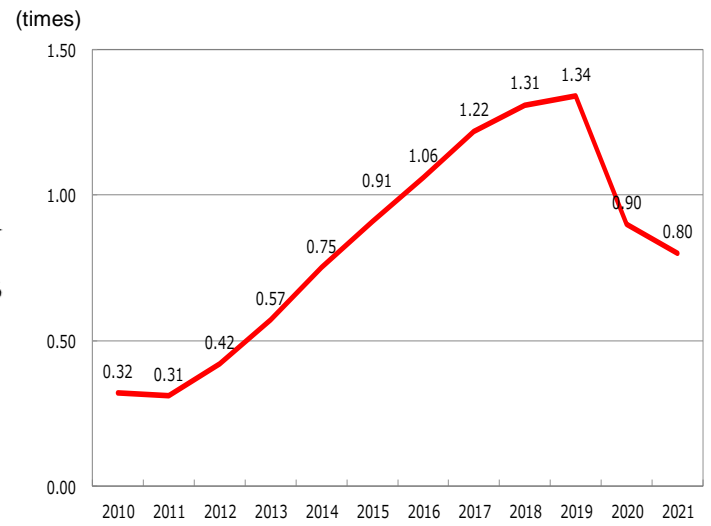
## Employment situation

### Trends in unemployment rates



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

### Active opening ratio



Source: Okinawa Labour Bureau

### Overview

- ◆ Difference in the unemployment rate remains at 0.8% from the national level. An active opening ratio was lower than 1.0 for two consecutive years, the worst in the nation.

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Inquiries

## Okinawa Financial Group, Inc.

General Planning Division

**TEL** 098-864-1253

**Email** [ofg-ir@okinawafg.co.jp](mailto:ofg-ir@okinawafg.co.jp)

**HP** <https://www.okinawafg.co.jp/english/>

**Contact** Asato