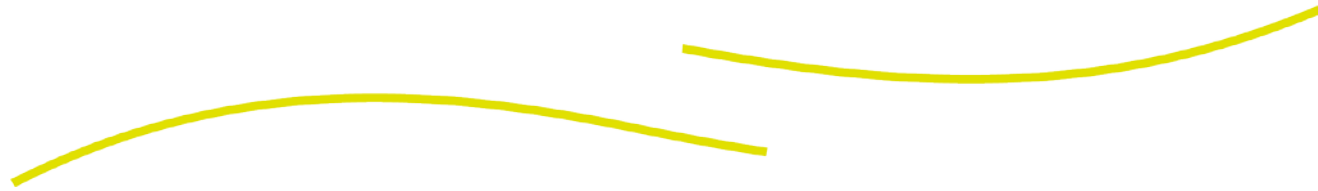


# Okinawa Financial Group

## Results Briefing Materials

(FY2023)



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# 1

## Performance Summary



# (1) Performance Highlights for FY2023

OFG (Consolidated)

## FY2023 Business Performance

¥ million

	FY2023	YoY	FY2022
<b>Ordinary income</b>	53,573	885	52,687
Gross business profit	32,014	596	31,418
Interest income	28,479	(706)	29,185
Gains (losses) on cancellation of investment trusts	19	(699)	719
Fees and commissions	4,123	1,352	2,771
Trust fees	71	(8)	79
Other business profit	(659)	(41)	(617)
Operating expenses	24,694	1,180	23,514
Credit cost	798	(820)	1,619
Net gains (losses) on equity securities	1,967	575	1,391
<b>Ordinary profit</b>	8,833	252	8,581
Extraordinary gains (losses)	(11)	44	(55)
Total income taxes	2,560	(129)	2,690
<b>Net income attributable to owners of the parent</b>	6,262	426	5,835

## Business performance points

### ● Ordinary income

• Increased by ¥885 million year on year to **¥53,573 million**, due to increases in gain on sale of stocks and other securities, in addition to increases in interest on loans and discounts achieved 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.

### ● Ordinary profit

• Increased by ¥252 million year on year to **¥8,833 million**, as a result of decreases in loss related to securities and credit cost, in addition to the steady increase in business income on core banking operations, despite an increase in expenses related to renewal of core system.

**Revenues and earnings both increased (for the second consecutive fiscal year)** due to the above factors.

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

• Increased by ¥426 million year on year to **¥6,262 million**.

## (2) Outline of Results of Major Group Companies

### Major Group Companies

#### The Bank of Okinawa

(¥ million)

	FY2023	FY2022	YoY change
<b>Ordinary income</b>	<b>38,366</b>	<b>37,787</b>	<b>579</b>
Gross business profit	28,407	28,099	308
Net interest income	28,734	29,116	(382)
Gains (losses) on cancellation of investment trusts	19	719	(699)
Net fees and commissions	2,810	2,130	679
Other business profit	(3,136)	(3,147)	10
Provision of general allowance for possible loan losses	(961)	(89)	(872)
Expenses (excluding non-recurrent items)	22,147	21,249	898
Personnel expenses	8,885	9,070	(185)
Non-personnel expenses	11,379	10,647	732
Non-recurrent items	225	279	(53)
Recoveries of written-off claims	68	123	(54)
Net gains (losses) on equity securities	1,967	1,391	575
Bad debt disposal	1,430	1,629	(199)
<b>Ordinary profit</b>	<b>7,447</b>	<b>7,219</b>	<b>228</b>
Extraordinary gains (losses)	(10)	(57)	47
Income before income taxes	7,437	7,161	276
Total income taxes	1,855	2,094	(238)
<b>Net income</b>	<b>5,581</b>	<b>5,066</b>	<b>515</b>
<b>Net business profit</b>	<b>7,222</b>	<b>6,940</b>	<b>282</b>
<b>Business profit on core banking operations</b>	<b>9,002</b>	<b>9,945</b>	<b>(942)</b>
Excluding gains (losses) on cancellation of investment trusts	8,982	9,226	(243)

#### Business performance points

##### ● Ordinary income

Increased by ¥579 million year on year to **¥38,366 million**, mainly due to increases in gain on sale of stocks and other securities, in addition to steady increases in interest on loans and discounts achieved by responding to the financial demand led by economic recovery, other commission received due to stronger efforts to earn non-interest income, and other business income on core banking operations.

##### ● Business profit on core banking operations

Decreased by ¥942 million year on year to **¥9,002 million**, mainly due to an increase in expenses related to renewal of core system, despite a steady increase in business income on core banking operations.

##### ● Ordinary profit and net income

Ordinary profit increased by ¥228 million year on year to **¥7,447 million**, mainly due to decreases in loss related to securities and credit cost, despite the decrease in business profit on core banking operations. Net income increased by ¥515 million year on year to **¥5,581 million**.

**Revenues and earnings both increased (for the second consecutive fiscal year)** due to the above factors.

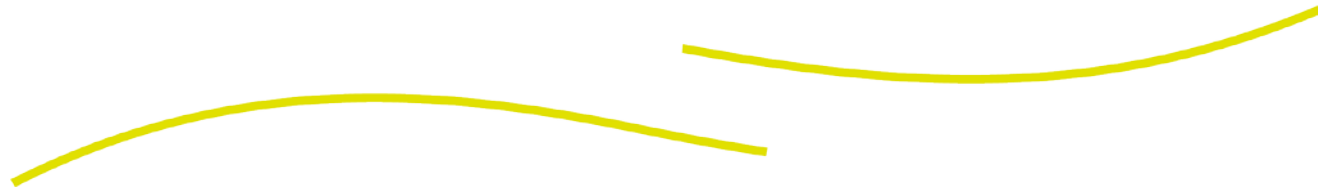
#### Major group companies

(¥ million)

Company name	FY2023			
	Ordinary profit	YoY	Net income	YoY
Okigin General Lease	620	18	402	(111)
Okigin JCB	312	(9)	213	5
Okigin Securities	226	196	207	203
Okigin SPO	130	57	91	43

# 2

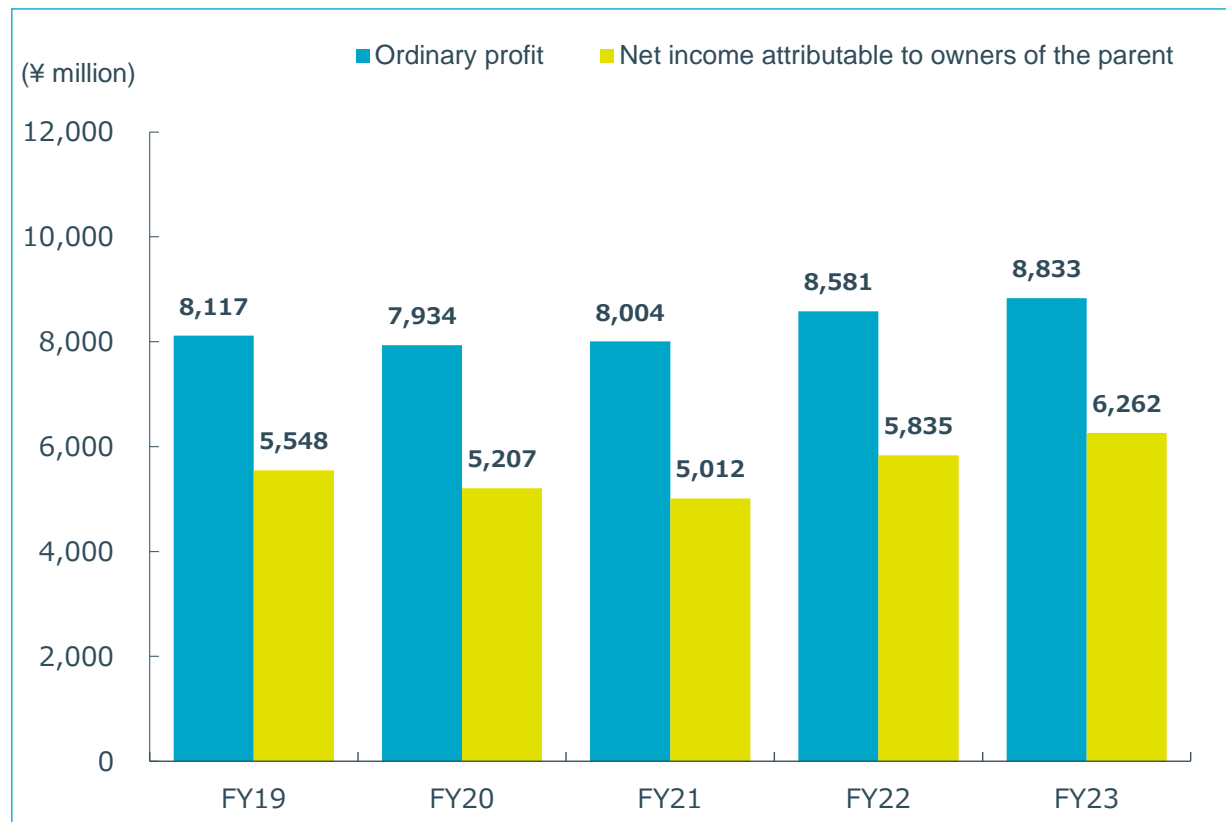
## Outline of Business Results for FY2023: OFG (Consolidated)



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

OFG (Consolidated)

- Ordinary profit increased by ¥252 million year on year to ¥8,833 million, mainly due to an increase in business income on core banking operations, such as interest on loans and discounts as well as fees and commissions
- Net income attributable to owners of the parent increased by ¥426 million year on year to ¥6,262 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.

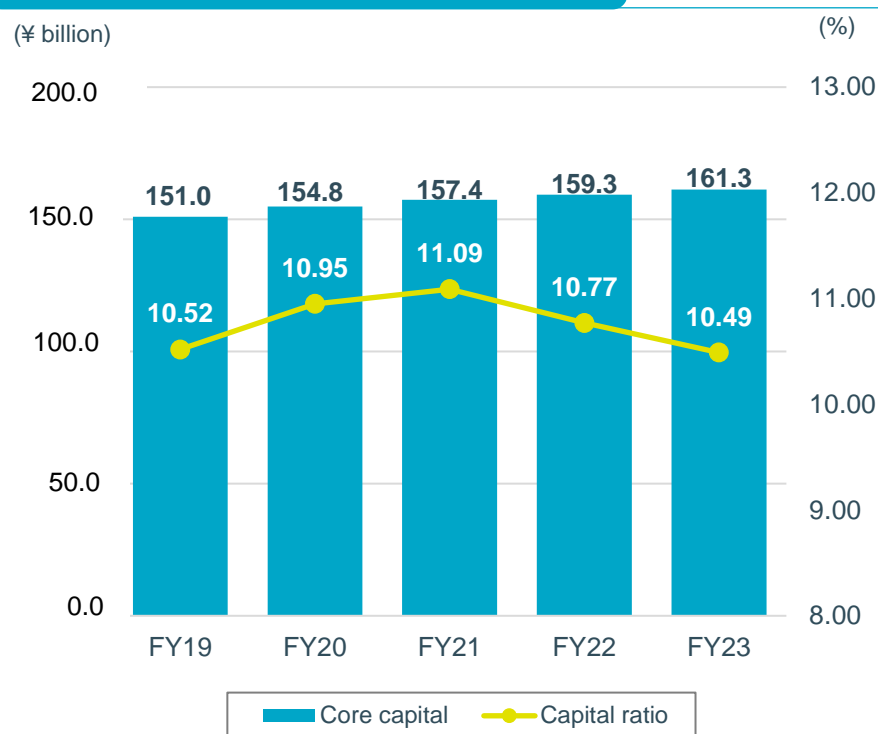
## (2) Capital Ratio

OFG (Consolidated)

- Capital ratio (domestic standard) at 10.49%
- The capital ratio has declined due to an increase in risk-weighted assets resulting from proactively responding to financial demand, in addition to the purchase of treasury stock from the perspective of enhancing shareholder returns through greater capital efficiency, but soundness has been secured

	FY23	FY22	(¥ million, %) YoY change
Capital ratio	10.49	10.77	(0.28)
Capital	161,397	159,358	2,038
Basic elements of core capital	164,449	162,508	1,941
Adjustments to core capital (-)	3,052	3,149	(96)
Risk Assets	1,537,970	1,478,977	58,993

### Capital and capital ratio

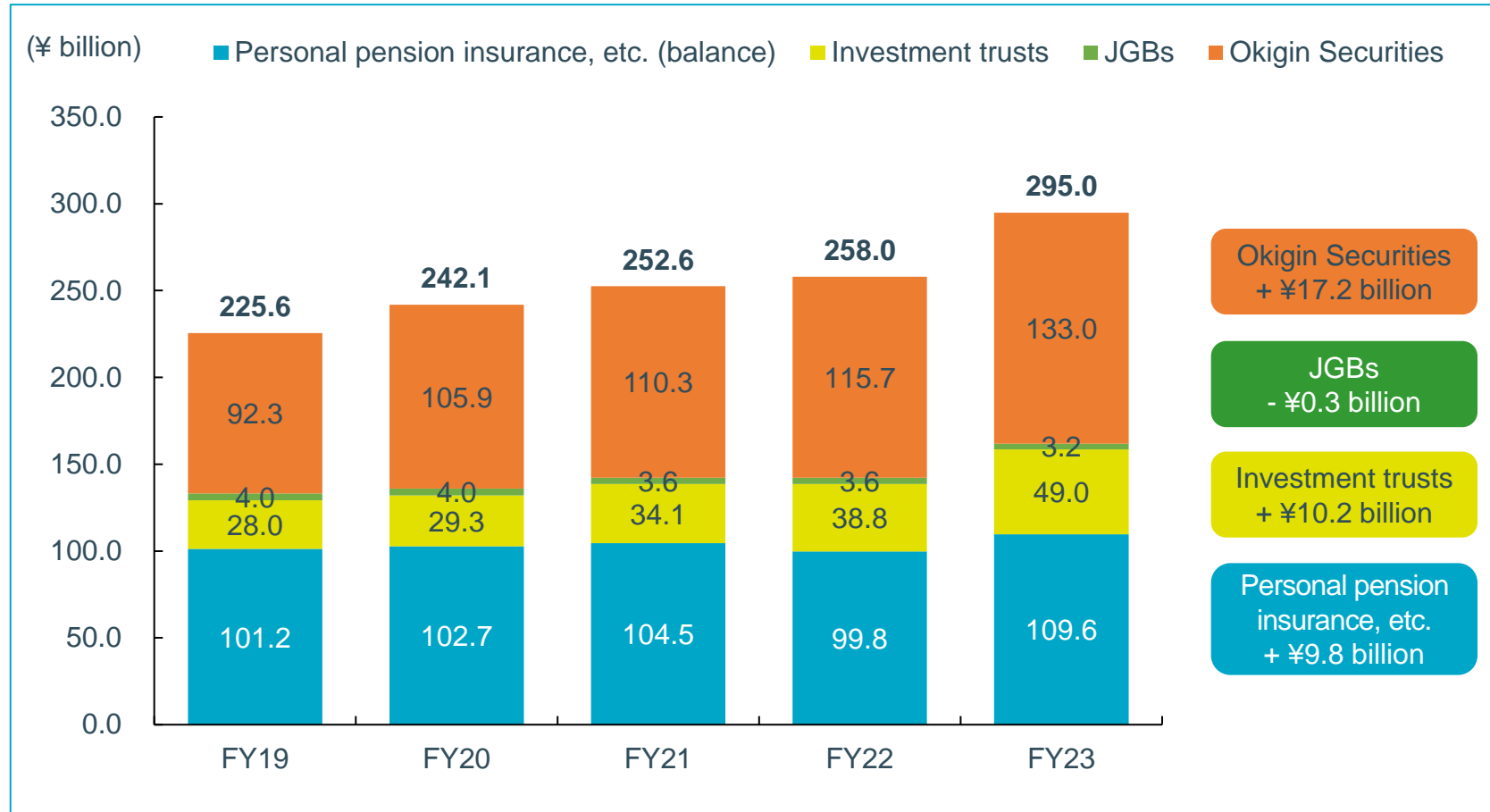


\* As the Company was founded on October 1, 2021, consolidated figures for The Bank of Okinawa, Ltd. are provided for the periods prior to March 31, 2021 for reference.



### (3) Assets in Custody

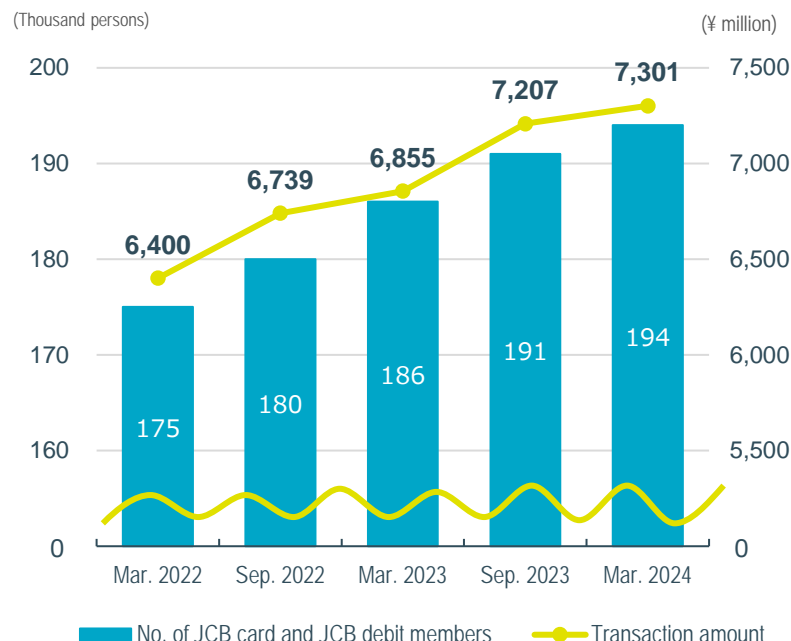
- Assets in custody as a whole (The Bank of Okinawa + Okigin Securities) increased by ¥37.0 billion year on year, as a result of offering products and services tailored to each stage in life of customers to meet their asset formation needs



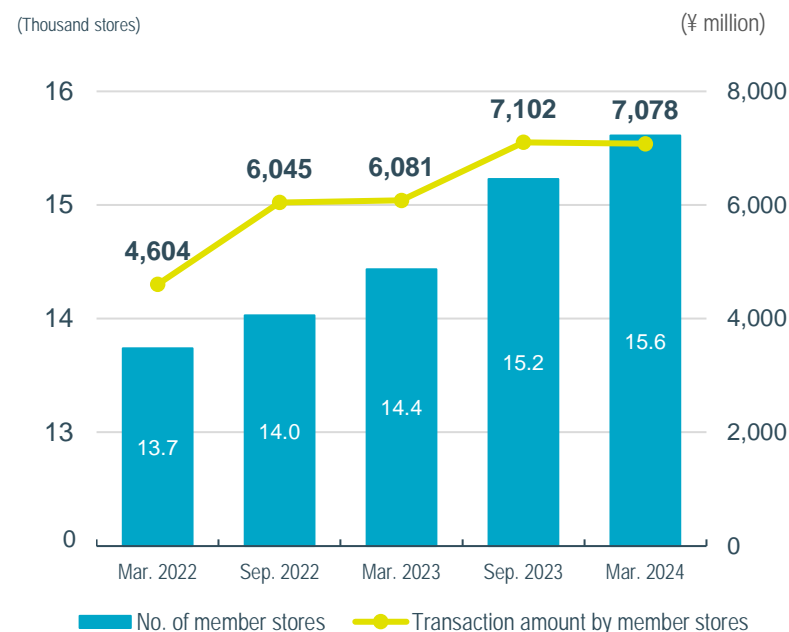
## (4) Cashless Services (i)

- The Company has continuously improved the convenience of its cashless services to meet the diverse needs of customers, including the addition of Okigin Smart functions such as online applications for JCB debit, online investment trust transactions. As a result, the Company's cashless services (JCB card, JCB debit, JCB member stores, Okigin Smart, OKI Pay) have performed strongly, as shown below.

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



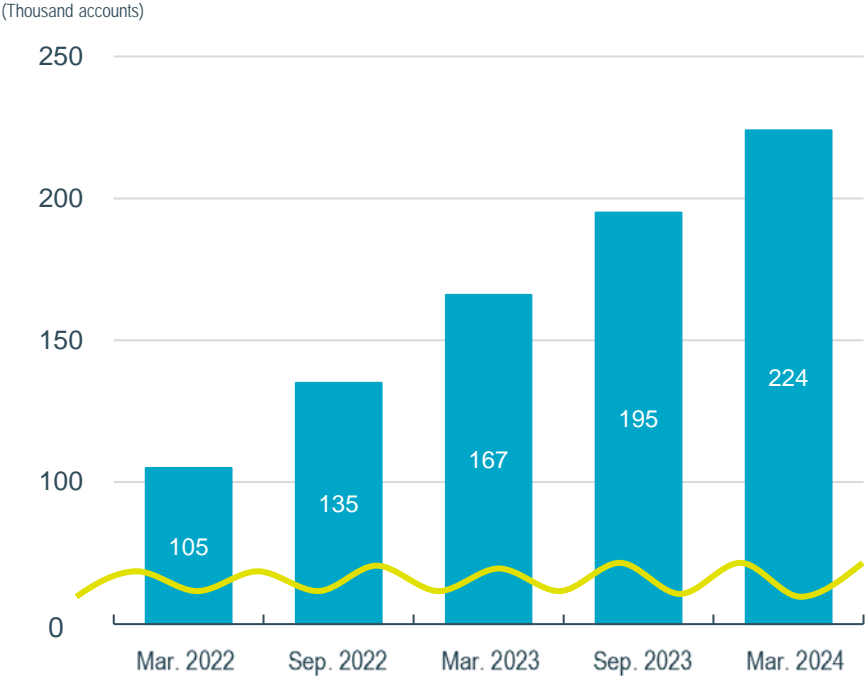
No. of JCB member stores and transaction amount



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

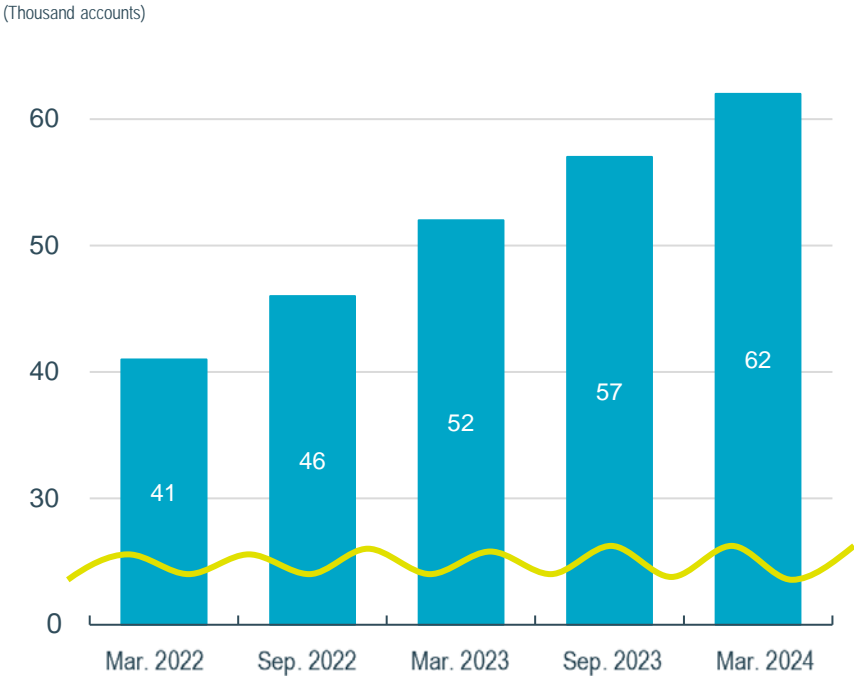
# (5) Cashless Services (ii)

No. of Okigin Smart users registered



Okigin Smart is an app that enables users to make balance inquiries, funds transfers, etc. easily on a smartphone.

No. of OKI Pay user accounts registered

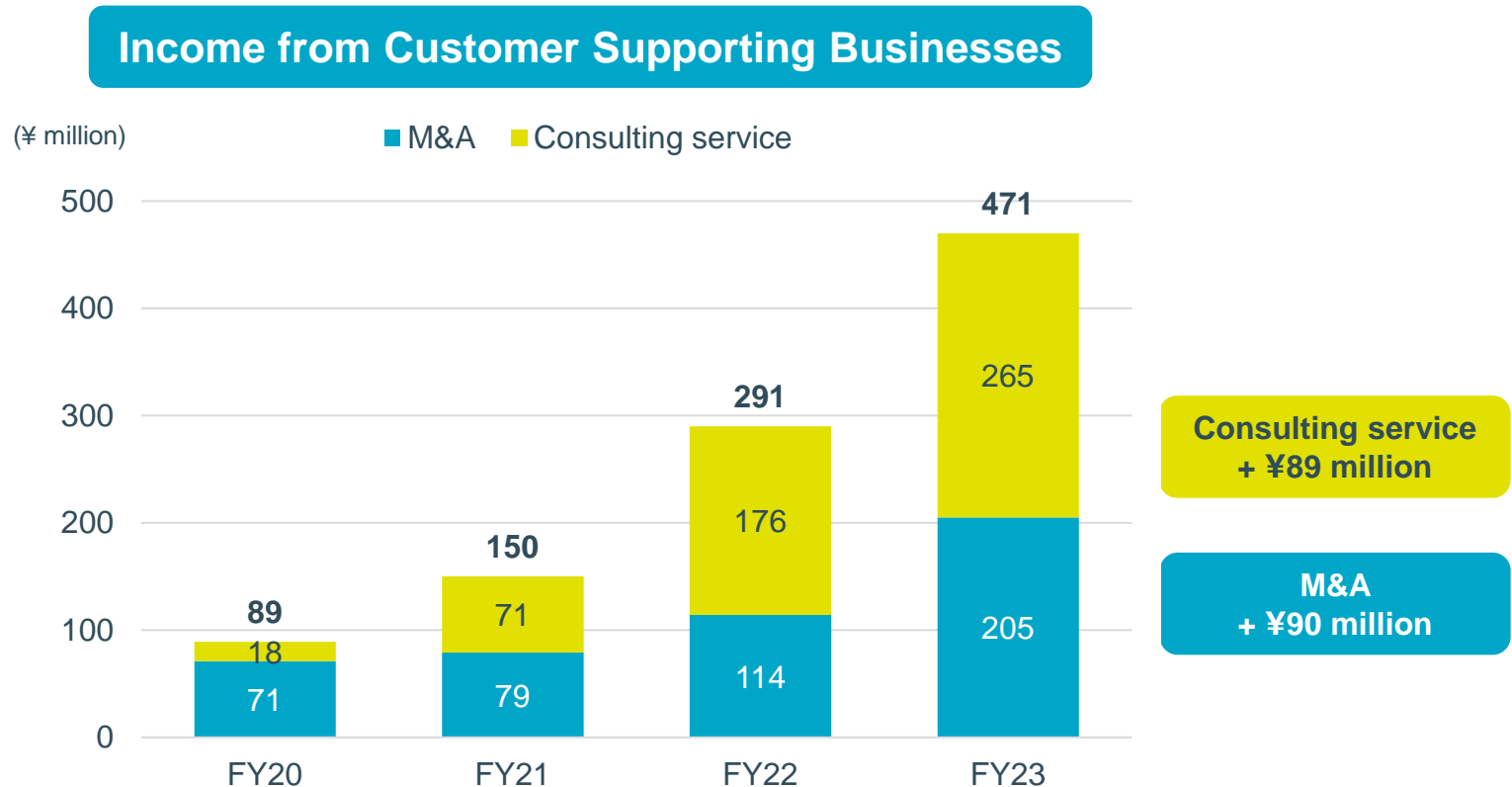


OKI Pay is a cashless & cardless settlement service app that enables users to pay with just a smartphone.

## (6) Income from Customer Supporting Businesses

The Bank of Okinawa + Future Okinawa

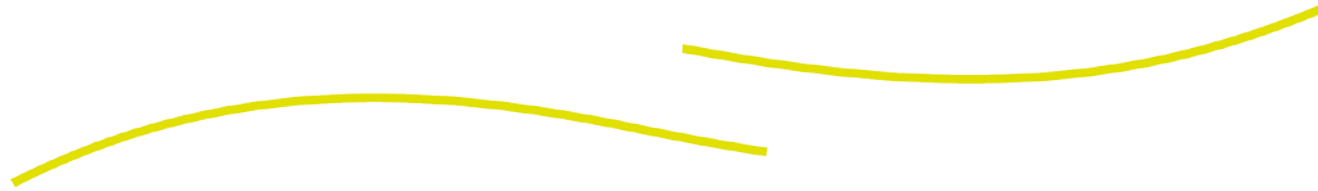
- The Company actively engages in non-financial supporting services by leveraging group synergies. M&A and consulting services for the current fiscal year have been solid since the establishment of Future Okinawa, with a year-on-year increase of ¥179 million.



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

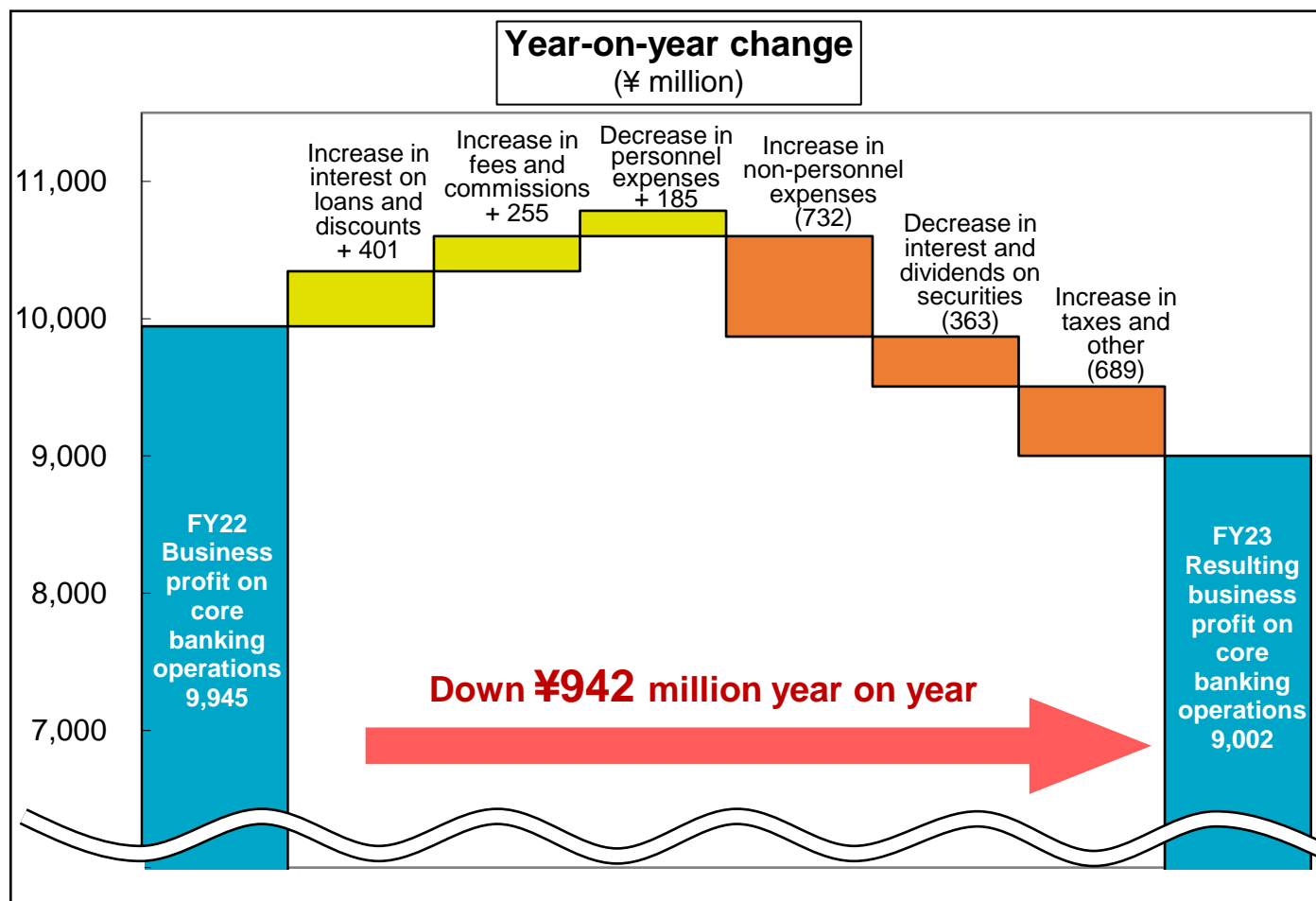
# 3

## Outline of Business Results for FY2023: The Bank of Okinawa (Non-consolidated)



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

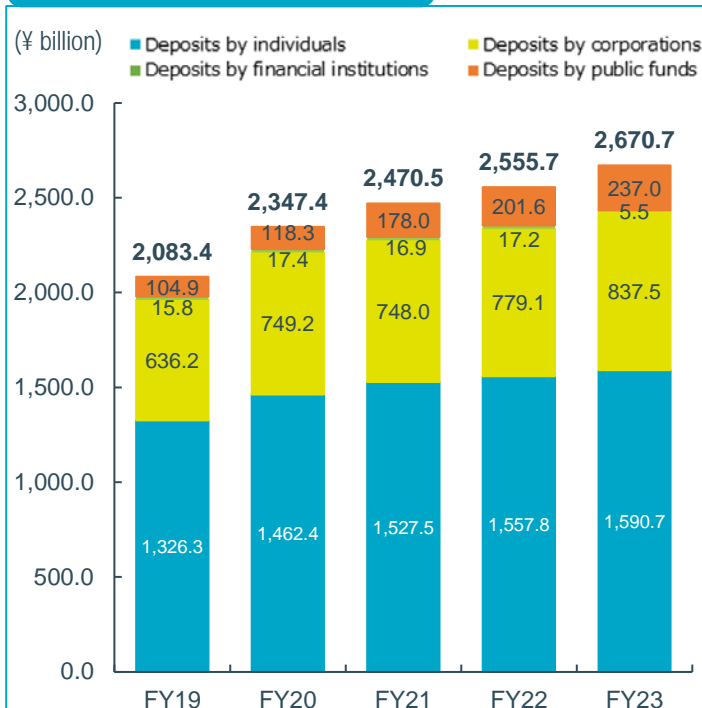
- Business profit on core banking operations decreased by ¥942 million year on year to ¥9,002 million, mainly due to increases in non-personnel expenses and taxes related to the operation of core system, as well as a decrease in interest and dividends on securities. This was despite a decrease in personnel expenses due to improvements in operational efficiency and productivity, in addition to increases in interest on loans and discounts, fees and commissions, and other business income on core banking operations.



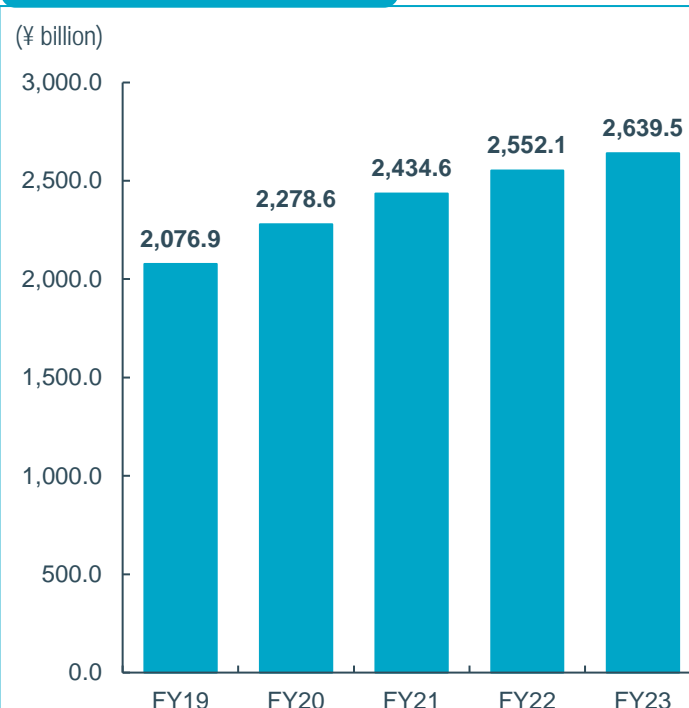
## (2) Deposits (Term-End Balance/Average Balance)

- The term-end balance of total deposits rose by ¥114.9 billion (+4.49%) from the end of the previous fiscal year, to ¥2,670.7 billion.
- Deposits by individuals rose by ¥32.8 billion, deposits by corporations rose by ¥58.3 billion and public funds rose by ¥35.4 billion.

### Term-end balance



### Average balance



#### Deposits by individuals

Increased due to the promotion of transactions such for pension, salary payment, retirement bonus, etc.

#### Deposits by corporations

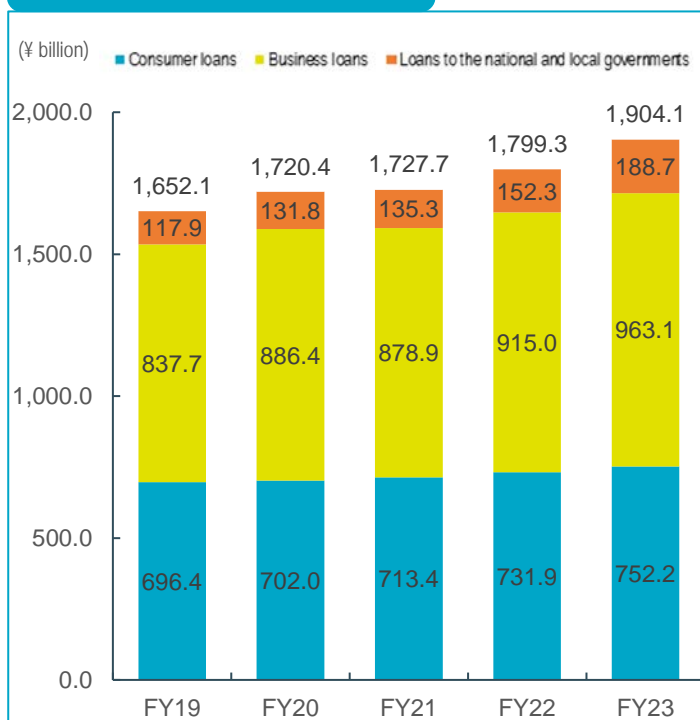
Increased due to revitalization of commercial activity after COVID-19 is brought under control

\*Including trust accounts.

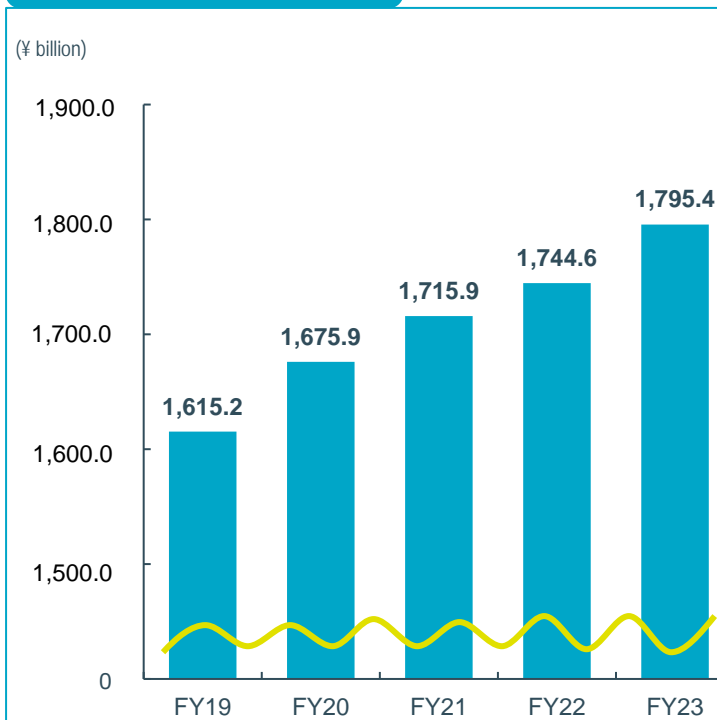
### (3) Loans (Term-End Balance/Average Balance)

- The term-end balance of total loans and bills discounted rose by ¥104.8 billion (+5.82%) from the end of the previous fiscal year, to ¥1,904.1 billion.
- Business loans increased by ¥48.1 billion, and consumer loans rose by ¥20.2 billion.

#### Term-end balance



#### Average balance



#### Business loans

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

#### Consumer loans

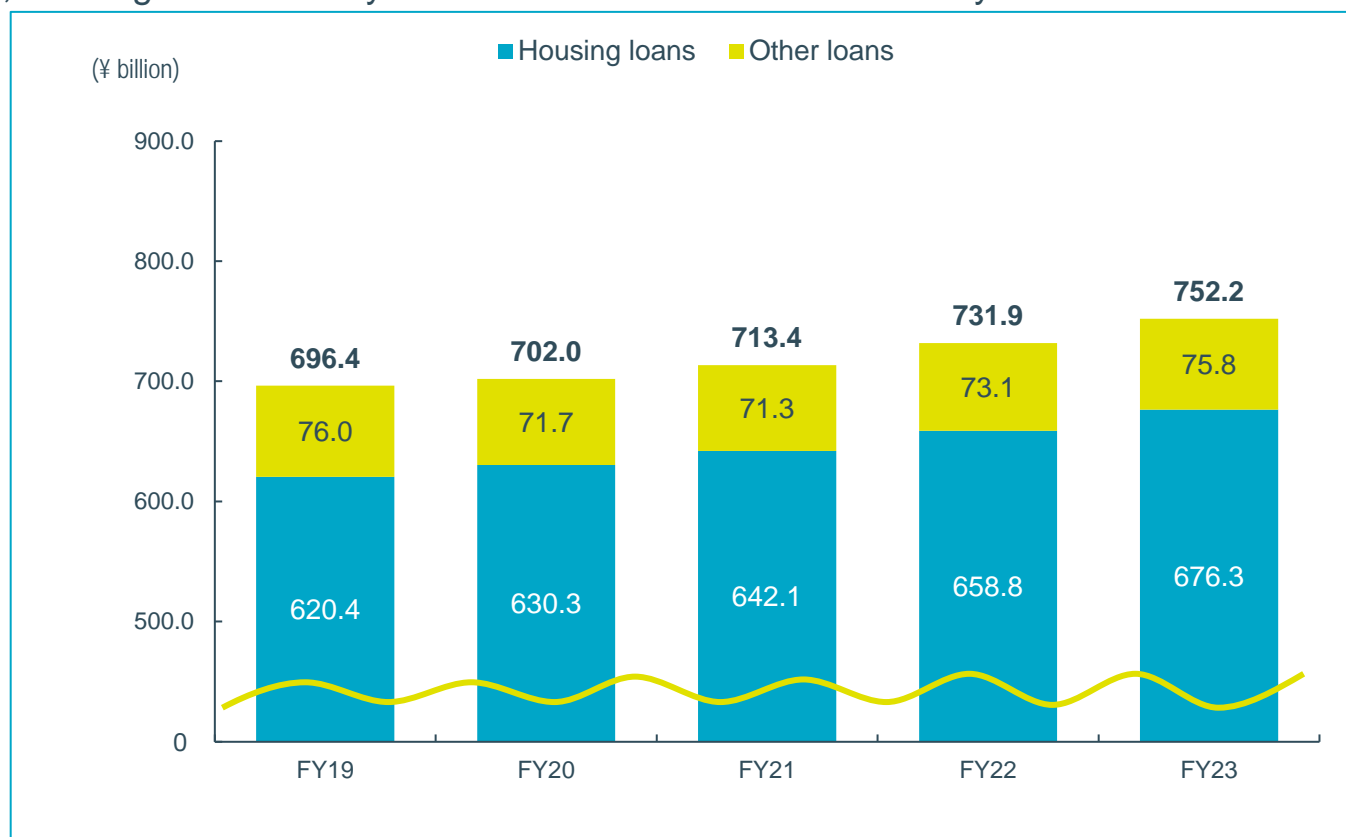
Increase in housing / condominium loans due to strengthened relationships with house-builders, and measures such as speedy examination of loans and other initiatives

\*Including trust accounts.



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

- Consumer loans rose by ¥20.2 billion (+2.76%) from the end of the previous fiscal year to ¥752.2 billion due to strengthened relationships with house-builders, and measures such as speedy examination of loans and other initiatives.
- Of these, housing loans rose by ¥17.5 billion and other loans rose by ¥2.7 billion.

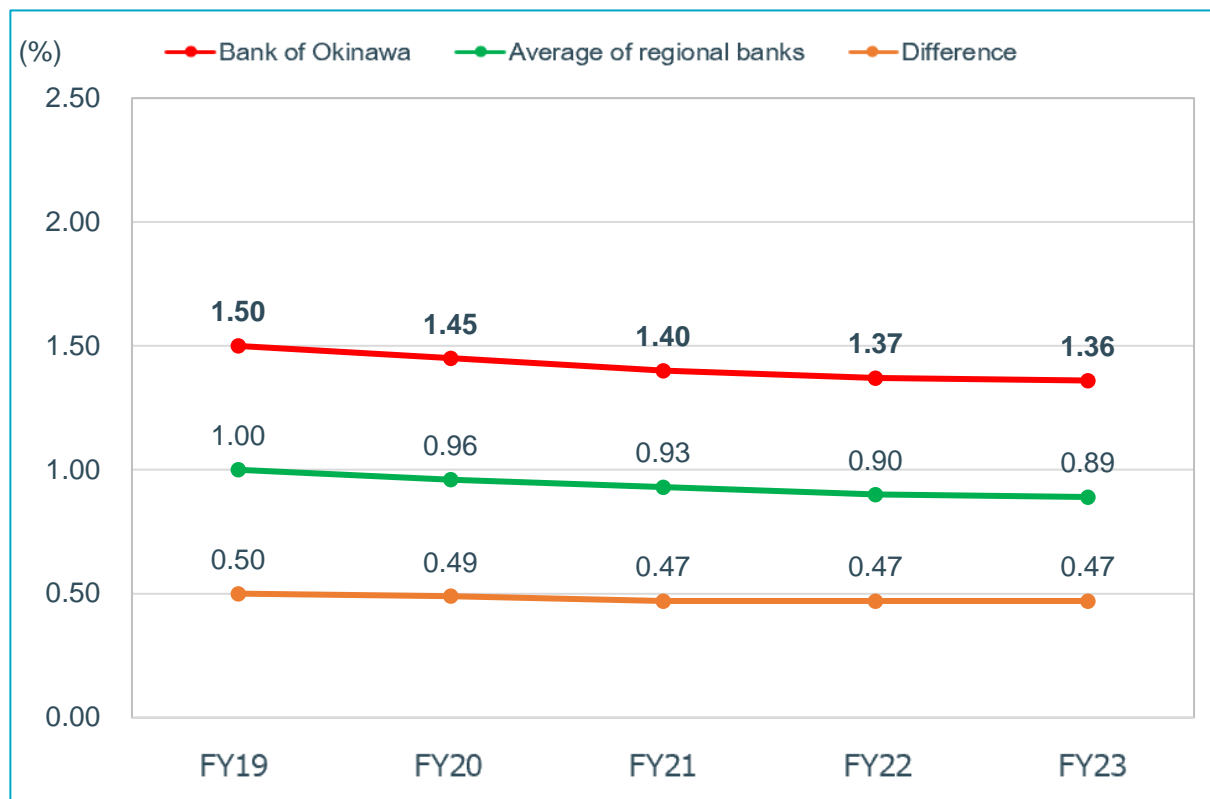


\*Including trust accounts.

\*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

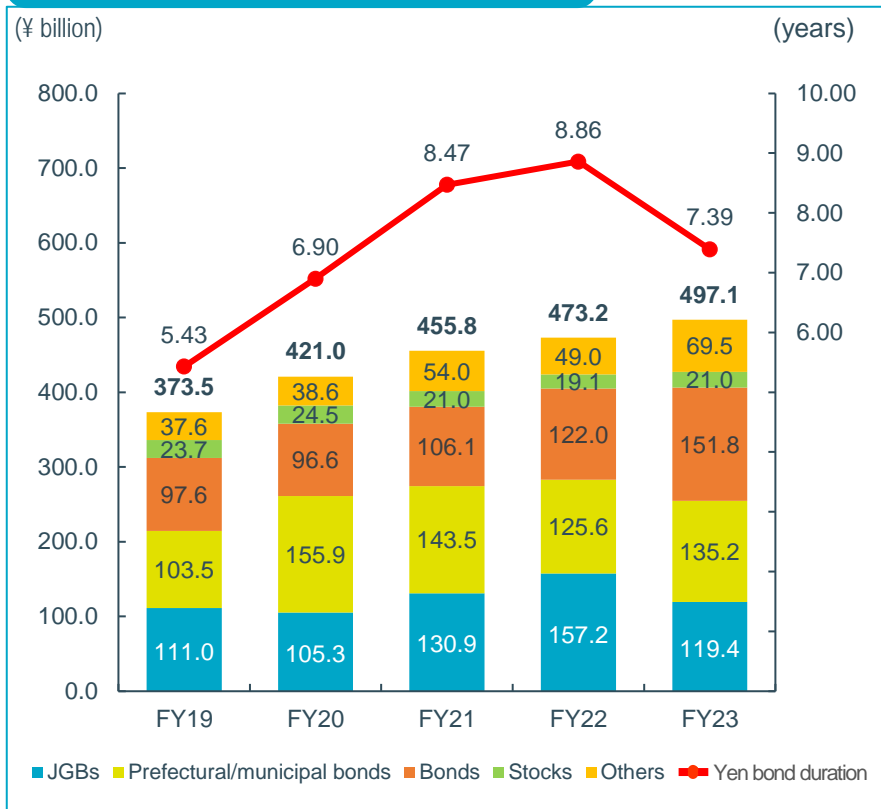


Averages of regional banks are prepared by the Bank based on the financial results of regional banks posted on the website of the Regional Banks Association of Japan.  
However, because data for the fiscal year (ending March 31) is published in June each year, the average of regional banks for FY23 1H is used for FY23.

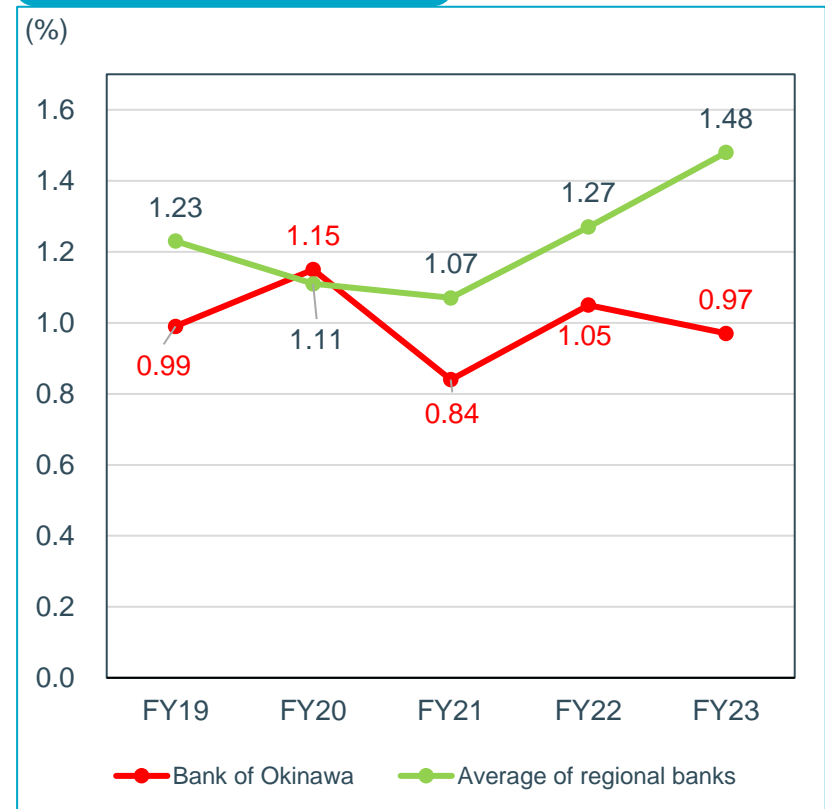
## (6) Securities (i)

- The term-end balance of securities increased by ¥23.9 billion from the end of the previous fiscal year to ¥497.1 billion as a result of efficient fund management with careful monitoring of trends in financial markets.

### Term-end balance and yen bond durations



### Yield on securities

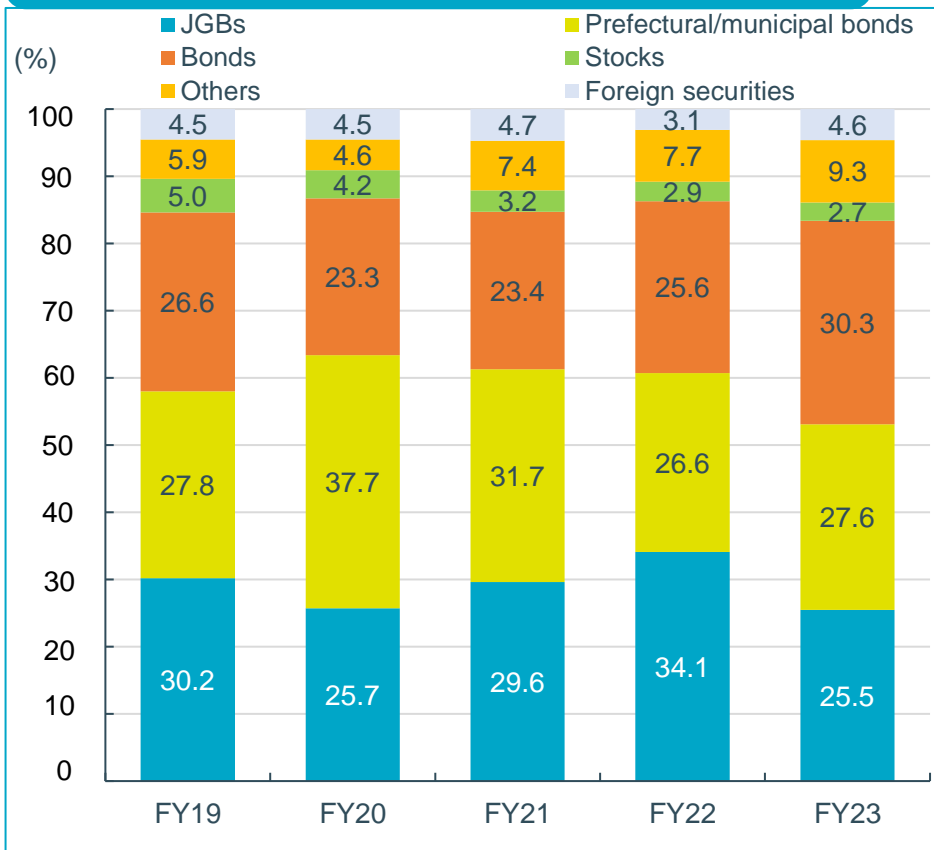


\*Please see P18 for details on the calculation of averages of regional banks

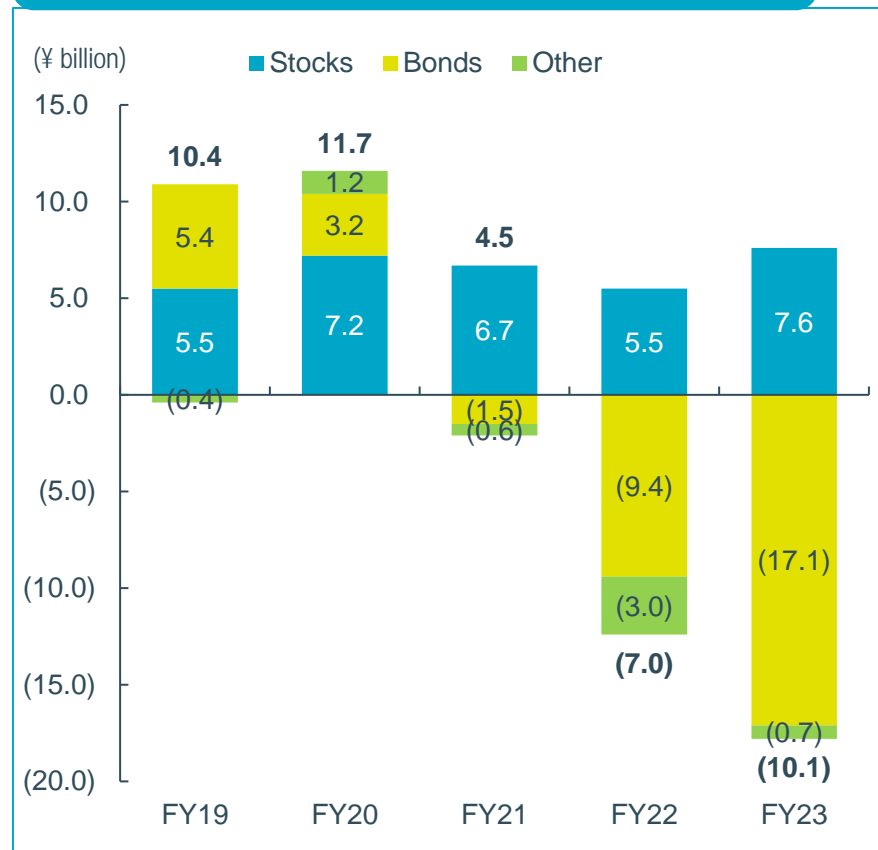
## (7) Securities (ii)

- Continuation of rebalancing from yen bond holdings. Gain on valuation of securities decreased by ¥3.1 billion year on year, to ¥(10.1) billion.

Securities composition percentage  
(acquisition cost at term-end)



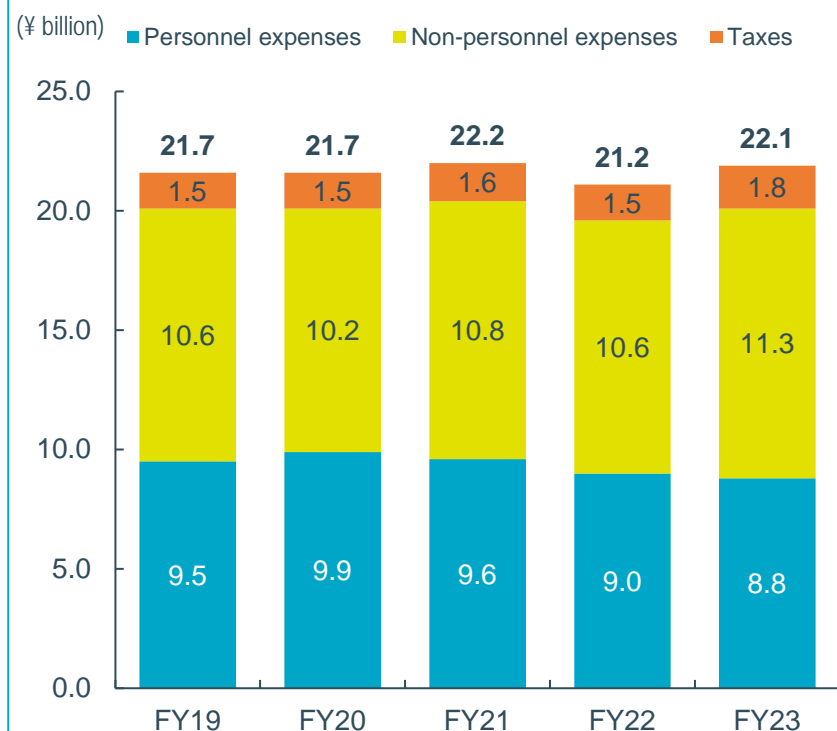
Gain (loss) on valuation of securities



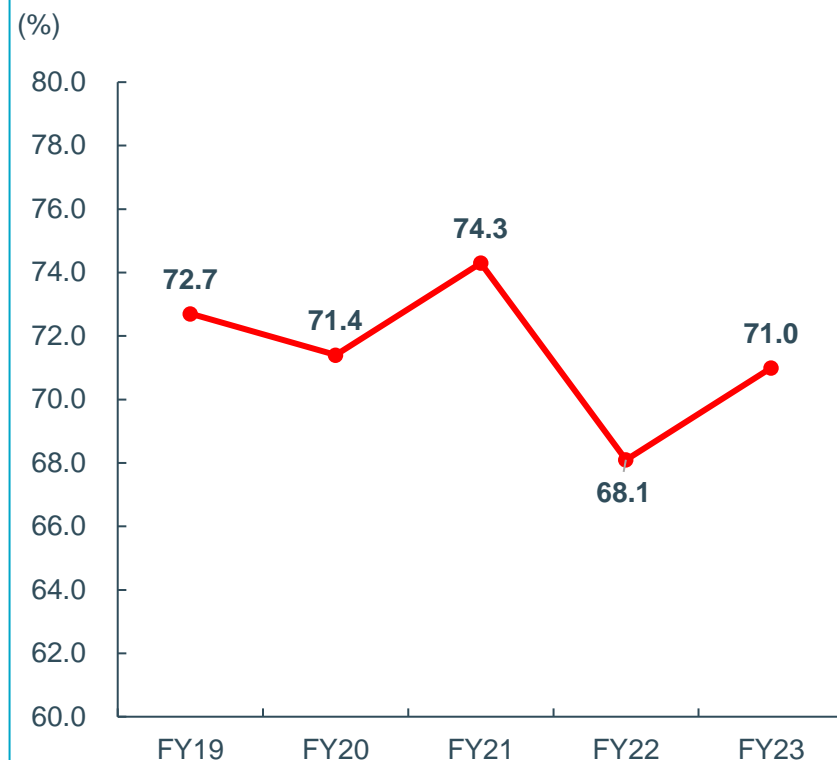
## (8) Expenses

- Expenses increased by approximately ¥800 million year on year due to increases in non-personnel expenses and taxes related to renewal of core system. This was despite a decrease in personnel expenses, notwithstanding a base-up salary increase, due to improvements in operational efficiency and productivity through measures such as the digitalization of back-office operations.
- Core OHR was 71.0%, up 2.9 percentage points year on year, due to the increase in expenses.

### Expenses



### Core OHR

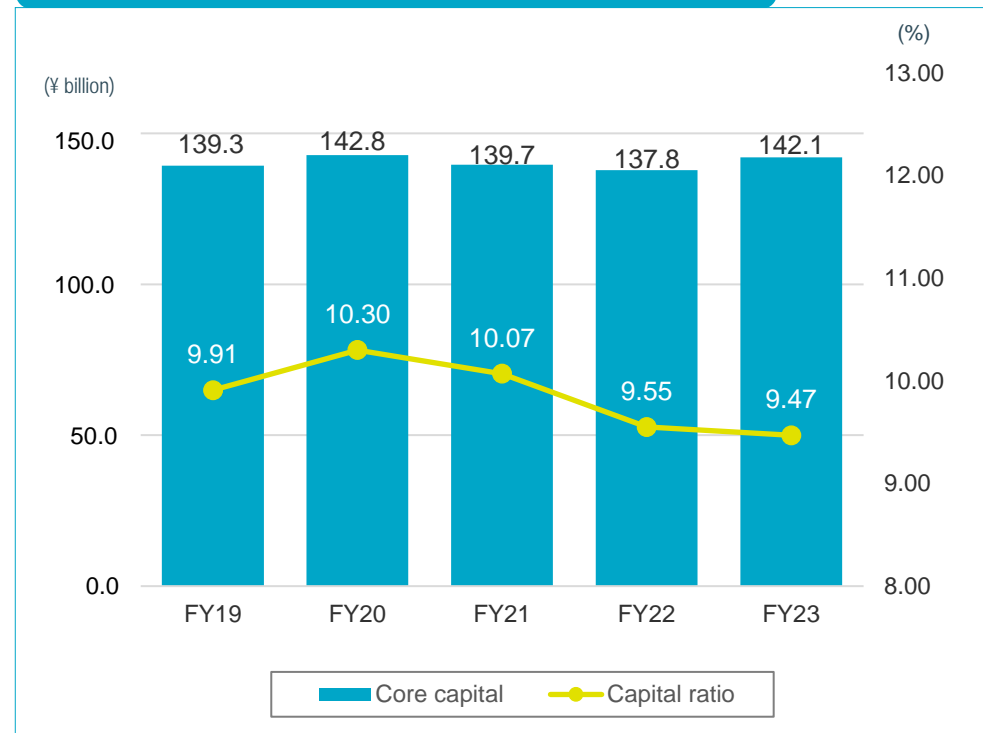


## (9) Capital Ratio

- Capital ratio (domestic standard) at 9.47%
- The capital ratio has dropped due to an increase in risk-weighted assets due to proactively responding to financial demand, but soundness has been secured.

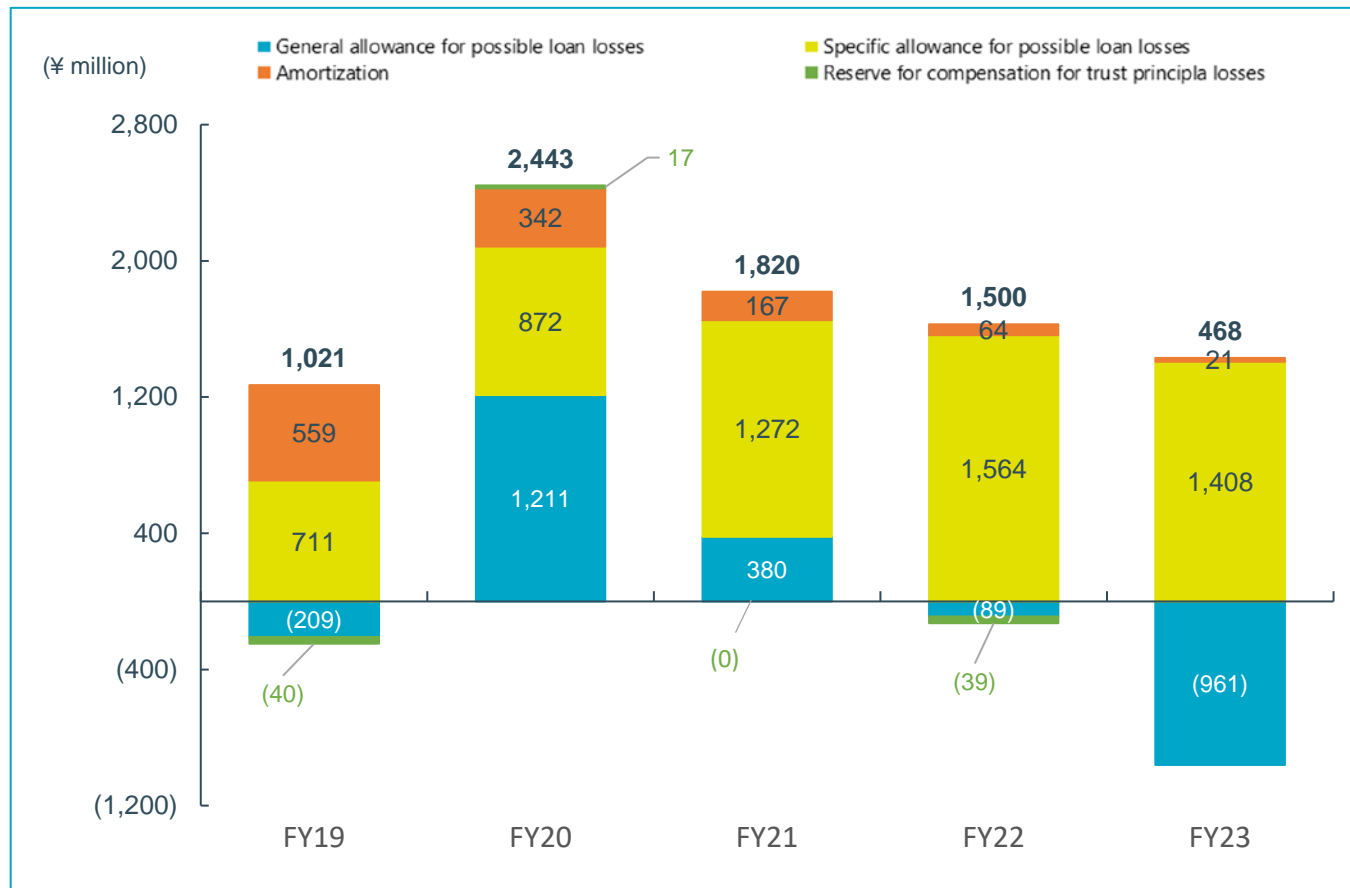
	FY23	FY22	YoY change
Capital ratio	9.47	9.55	(0.08)
Capital	142,199	137,849	4,349
Basic elements of core capital	144,927	140,660	4,267
Adjustments to core capital (-)	2,728	2,810	(81)
Risk-weighted assets	1,500,537	1,442,725	57,812

### Trends in Capital and Capital Ratio



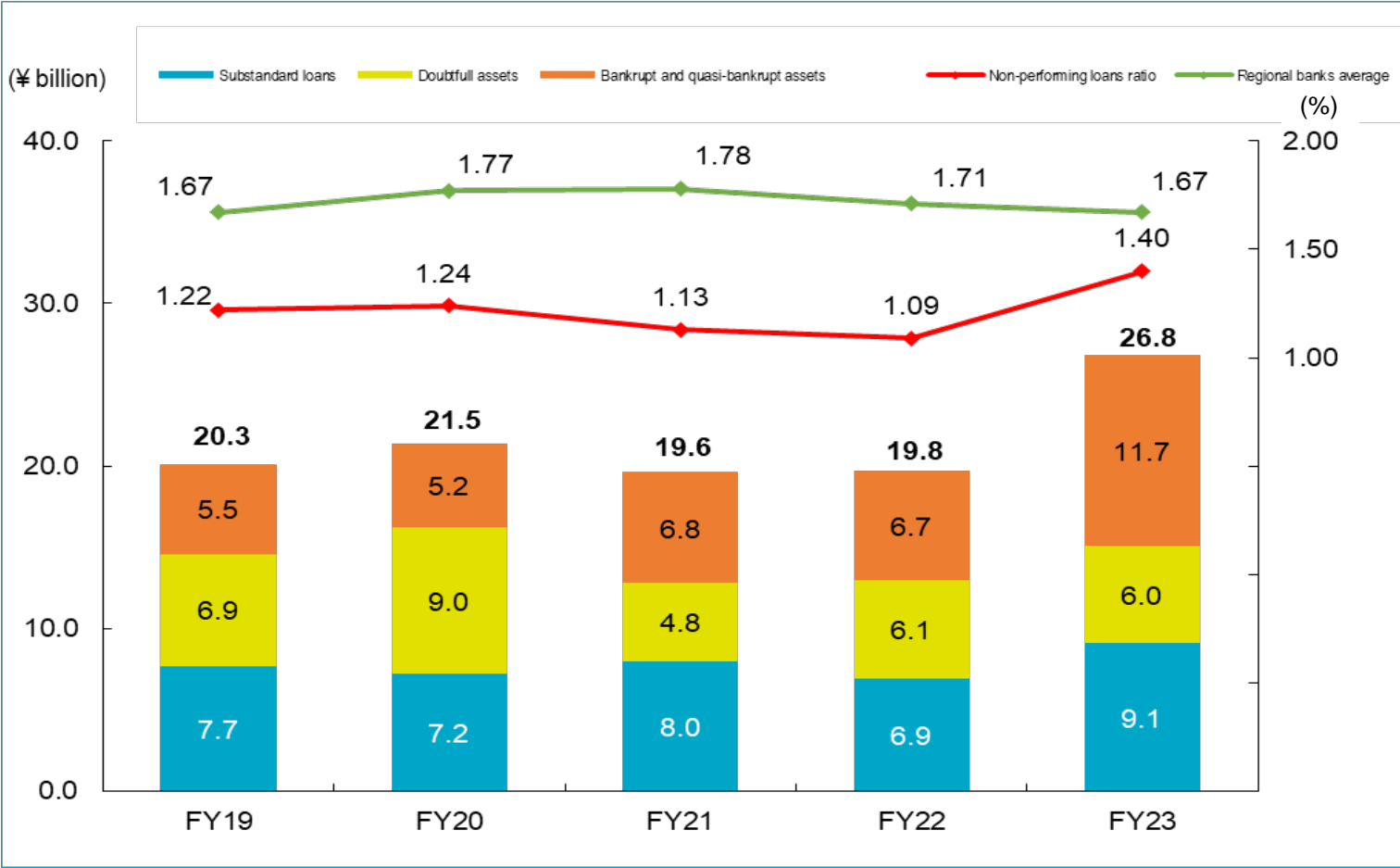
## (10) Credit Cost

- We provide appropriate allowances to maintain the soundness of loans, in preparation for future risks.
- In FY2023, credit cost decreased by ¥1,031 million year on year to ¥468 million in overall terms, mainly due to the lifting of additional allowances for portfolios of specific industries that were applied during the COVID-19 pandemic.



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

- ¥26.8 billion (non-performing loan ratio: 1.40%)
- Remained at low level, below the regional bank average of 1.67%



\*Please see P18 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: 42.98% (up 0.52 percentage points YoY)
- Deposits: 43.20% (up 0.43 percentage points YoY)

Loans and bills discounted share  
(average balance)



Deposits share  
(average balance)



# (13) Business Profit on Customer Services

	FY23	FY22	(¥ million, %) FY21
(1) Loans and bills discounted average balance	1,794,299	1,743,591	1,714,978
(2) Yield on loans and bills discounted	1.359	1.379	1.407
(3) Yield on deposits	0.003	0.008	0.006
(4) Loan / deposit spread ((2) - (3))	1.356	1.371	1.401
(5) Net fees and commissions	2,810	2,130	1,839
(6) Operating expenses	22,492	21,513	22,463
(7) Business profit on customer services	4,648	4,521	3,402
(8) Deposits average balance	2,627,823	2,539,439	2,420,015
(9) Business program margin on customer services	0.176	0.178	0.140

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

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

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

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

# 4

## Review of OFG's 1st Medium-Term Business Plan

(October 2021 – March 2024)



# Outline of the 1st Medium-Term Business Plan (October 2021 – March 2024)

Name

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

Vision

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

Strategies

Strategy I

**Group strength to lead the regional community**

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

Strategy II

**Provide services through a market-in approach**

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

Strategy III

**Optimization of group management resources**

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

Strategy IV

**Human resources development to lead Group growth**

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

## Strategy I Group Strength to Lead the Regional Community (Local Revitalization Initiatives)

### Supporting 10 towns and villages in remote islands based on comprehensive partnership agreements

Since FY2021, we have **signed comprehensive partnership agreements with a total of 10 towns and villages in remote islands**. We are proceeding to **dispatch employees**, provide **support for greater operational efficiency**, and **support the resolution of issues by sharing the Group's know-how**. We also utilized a **taxation system to support local revitalization (the Corporate version of Hometown Tax)** to donate a total of ¥15.00 million to Kitadaito Village, Kumejima Town, and Zamami Village in April 2023, and another ¥50.00 million in total to 10 towns and villages in remote islands in February 2024, contributing to initiatives such as **building cashless environments**.



<Photograph>

Ie Village (Mayor Masahide Nashiro)  
Tokashiki Village (Mayor Takehiro Shinzato)  
Zamami Village (Mayor Tetsu Miyasato)  
Aguni Village (Mayor Shuichi Takara)  
Tonaki Village (Mayor Akira Higa)  
Minamidaito Village (Mayor Toshiharu Aragaki)  
Kitadaito Village (Mayor Mitsunori Onizuka)  
Iheya Village (Mayor Ritsuo Naka)  
Izena Village (Mayor Mamoru Okuma)  
Kumejima Town (Mayor Hideo Toubaru)  
OFG President and Representative Director  
Masayasu Yamashiro

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

Aguni Village, Ie Village, Izena Village, Iheya Village, Kitadaito Village, Kumejima Town, Zamami Village, Tokashiki Village, Tonaki Village, Minamidaito Village

## Supporting the TCFD recommendations

Based on our **declaration of support for the TCFD recommendations** (October 2021), we are actively disclosing information and pursuing initiatives **to solve social and environmental issues**, such as the establishment of the Sustainability Committee (2022) and the Sustainability Promotion Office (December 2022).



The TCFD is a taskforce established by the Financial Stability Board (FSB) in December 2015, based on a request of G20 Finance Ministers and Central Bank Governors Meeting. It encourages companies to ascertain the risks and opportunities of climate change to their own business activities, reflect these in management strategies and risk management, forecast their financial impact, and disclose this as financial information.

## Established CO<sub>2</sub> emissions reduction targets

**With the governments of Japan and Okinawa Prefecture both aiming for carbon neutrality\* by 2050, the Group** is promoting initiatives to lead the region by **targeting carbon neutrality in FY2030**.


\* 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

### Initiatives

- ◆ 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

**Expanding partnerships with local enterprises**

With an awareness of sustainability, we are **building frameworks for partnership with leading companies in Okinawa Prefecture**, aiming to expand our business areas through the integration of financial and non-financial areas.



沖縄電力  
The Okinawa Electric Power Company, Incorporated

沖縄新工ネ開発株式会社  
Okinawa New Energy Development Co., Inc.


⇕

**The Bank of Okinawa**

**Agreement on a comprehensive partnership to achieve a decarbonized society**

(September 2021)

- ◆ Partnership to expand the introduction of renewable energy
- ◆ Supported the necessary funding to expand introduction of karE-roof (Borrowing roof) business, 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



琉球日産自動車  
RYUKYU NISSAN

日産部品沖縄販売  
NISSAN PARTS OKINAWA


⇕

**Okigin General Lease,  
Future Okinawa, The Bank of Okinawa**

**Comprehensive partnership agreement to achieve a decarbonized society**

(December 2022)

- ◆ Expanding the use of EVs and the installation of electricity charging infrastructures with consideration for reducing environmental impact
- ◆ Expanding the use of carsharing utilizing digital technologies
- ◆ Educational activities aimed at achieving a decarbonized society



沖縄トヨタグループ  
Okinawa Toyota Group

⇕

**Okinawa Financial Group**

**Comprehensive partnership agreement to achieve a sustainable society**

(July 2023)

- ◆ Partnership aimed at solving environmental and social issues in the region
- ◆ Educational activities aimed at achieving a sustainable society
- ◆ Considering the use of hydrogen energy, the establishment of MaaS, etc.



## **Business development based on the comprehensive partnership agreement**

In March 2024, we launched a **decarbonized car-sharing business through the simultaneous introduction of renewable energy and electric vehicles** based on the comprehensive partnership agreement to achieve a decarbonized society described in the previous slide.



<Photograph>

Katsuya Nakaima, President & CEO,  
Ryunichi Holdings, Inc. (left)

Takashi Matayoshi, President,  
Makiminato Community Association  
(center)

Tsukasa Matayoshi, President and  
Representative Director  
Okigin General Lease (right)

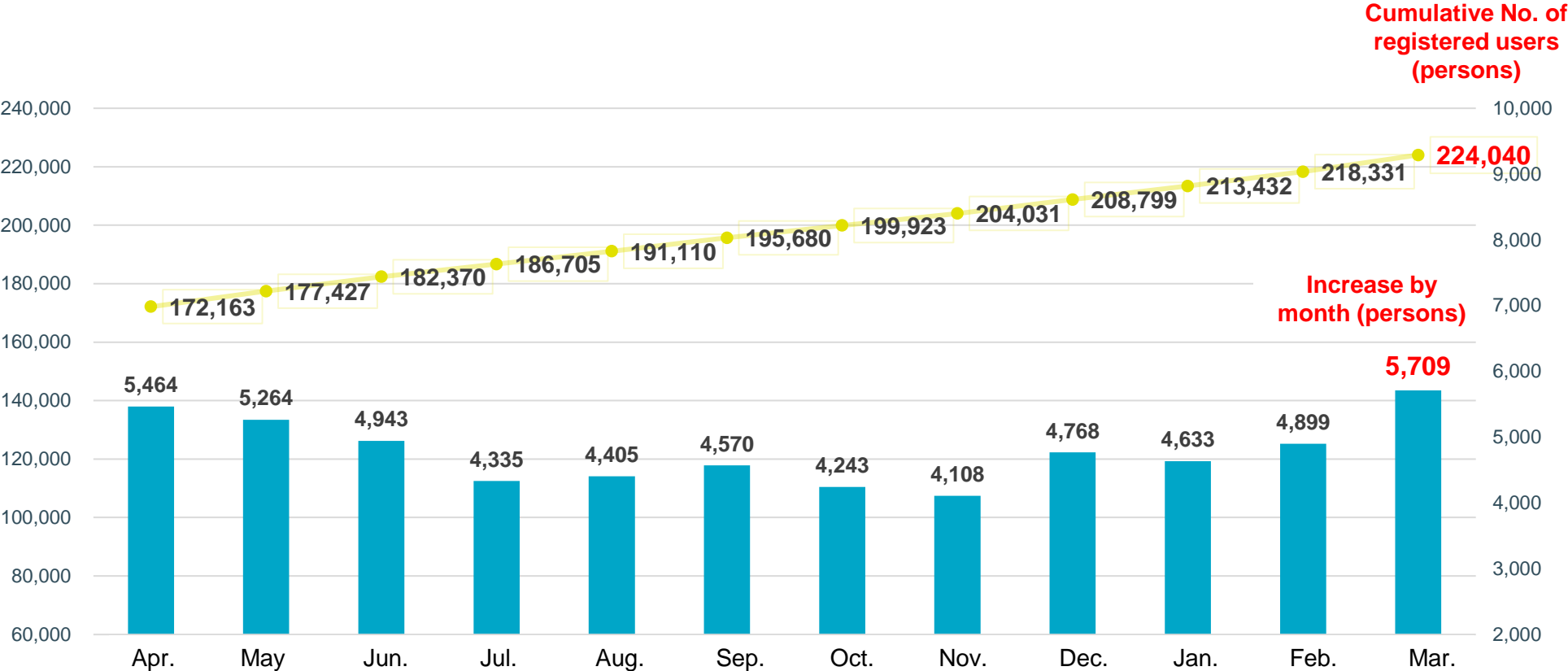
<Details of business>

- ◆ Charging for EVs (Nissan Sakura) through chargers attached to carport-style solar panels installed by Okigin General Lease
- ◆ The EVs are used as commercial vehicles by The Bank of Okinawa on weekdays, and provided to local residents as a car pooling service on weekends and public holidays (using the “citra” car sharing system provided by Ryunichi Holdings)



Enhancing Okigin Smart functions and promoting usage

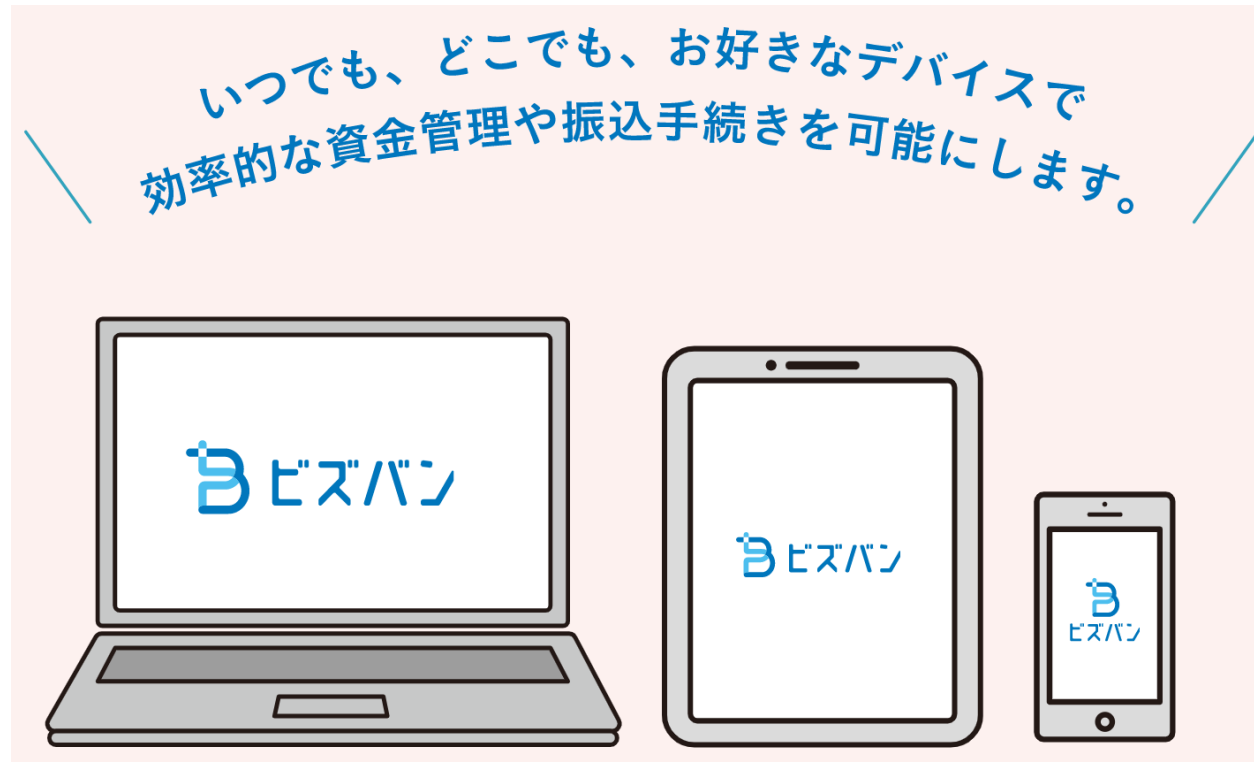
The cumulative number of registered users for Okigin Smart, our retail banking app launched in May 2019, has exceeded 200,000 persons (one person in seven in Okinawa Prefecture uses the app). Since December 2023, the app also offers an account opening and transaction function (compatible with the new Nippon Individual Savings Account (NISA)) for investment trusts, as well as an Okigin Securities transaction status confirmation function and an application function for products handled by Okigin JCB. In this way, we are promoting the digitalization of services across the Group.



### Launched Biz-Bank

We began providing **Biz-Bank, a business banking service** that users can access from smartphones and tablets, in addition to conventional internet banking, in April 2024.

Accessible regardless of time or place, **it enables users to conduct transactions while working remotely or traveling for work.**



### Promoting the use of Okigin Big Advance

Through the **management support platform Big Advance**, provided through a partnership between financial institutions across Japan, we support customers to develop and expand sales channels.

**Yanbaru Gelato**, which manufactures and sells gelato made from ingredients from within Okinawa Prefecture, and the **tofu manufacturer Teruya Shokuhin** have cooperated to develop new flavors of gelato, and are considering further collaboration and business expansion in the future.

<Number of members>

**2,571** (As of March 31, 2023)

<Number of cases business matching was used>

FY2022: 223 (+ 86 YoY)

**FY2023: 353 (+ 130 YoY)**

### <Functions of Okigin Big Advance>



Business matching



Welfare and benefits service



Homepage functions



Open innovation



Chat services

### Reducing overtime hours by increasing operational efficiency and productivity

Our pursuit of **operational efficiency** and **productivity improvements** through the digitalization of various service procedures and back-office operations has led to a decrease in overtime hours and overtime allowances.

\* Overtime hours and overtime allowances represent the results for The Bank of Okinawa

#### Main factors

- ◆ Digitalization of procedures for account opening, borrowing, investment trusts, etc. (online teller operations / online completion, online completion through the app, etc.)
- ◆ Expanded use of groupware, RPA, Microsoft Teams, etc. (online meetings, production of meeting minutes, chat services, etc.))

#### Overtime hours

- ◆ FY2022: **Down 8.6 hours**/month (YoY)
- ◆ FY2023: **Down 2 hours**/month (YoY)

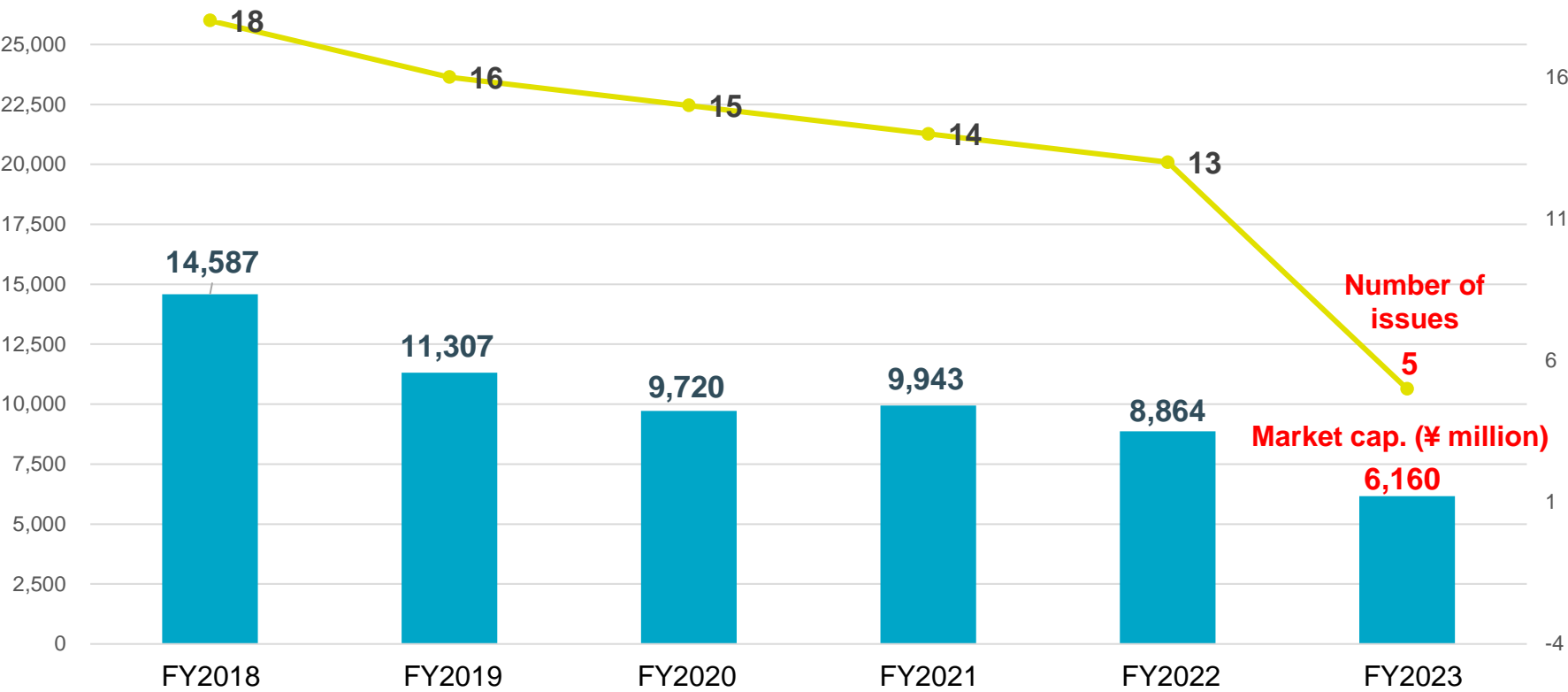
#### Overtime allowances

- ◆ FY2022: **Down ¥210.00 million**
- ◆ FY2023: **Down ¥40.00 million**

Reduction of cross-shareholdings

We held cross-shareholdings of five listed companies totaling ¥6,160 million as of March 31, 2024. This represents a reduction by half of the number of issues, or ¥2,700 million or more in terms of market capitalization, compared to FY2022.

We will continue to strive to strengthen shareholder returns and invest in growth areas.



Development of specialized human resources

To boost consulting capabilities and support DX, we encourage the acquisition of professional qualifications.

\*Figures in brackets represent the year-on-year change

- ◆ **M&A Senior Experts: 241 (+8)**  
\*The highest count in financial institutions nationwide

◆ Business Succession and M&A Experts: 89 (+1)

◆ Small and Medium Sized Enterprise Consultants: 37

◆ Securities Analysts: 8
- ◆ **IT Passport: 214 (+30)**

◆ **IT Coordinators: 33 (+22)**

◆ Cloud engineers (AWS/Azure certified employees): 6 (+5)

◆ Certified Internal Auditors (CIA): 2 (+1)

Diversity promotion (increasing the proportion of female managers)

As a result of holding internal training sessions and joint seminars with enterprises in the region, we have **largely achieved our target of 30% under the 1st Medium-Term Business Plan**. Under the 2nd Medium-Term Business Plan (as of March 31, 2027), we will **further expand these efforts, aiming for a target of 40%**.

	March 31,2022	March 31, 2023	March 31, 2024
Proportion of female managers (*Positions equivalent to section chief or higher)	24.4%	27.8%	29.9%

## Strategy IV Human Resources Development to Lead Group Growth (Enhancing Work-Life Balance)

### Building work-friendly environments

We are engaged in various initiatives to enhance work-life balance and build work-friendly environments.

- ◆ Increased wages by over 5% for 2 consecutive years (FY2023 – FY2024)
- ◆ Launched a flex-time system (April 2023)
- ◆ Began to permit secondary jobs by application (April 2023)
- ◆ Introduced grandchild care leave (April 2023)
- ◆ Established a welcome-back system (re-employment system for retirees) (November 2023)
- ◆ Made paid childcare leave mandatory for male employees (April 2022)

### Recognized under the Certified Health & Productivity Management Outstanding Organizations Recognition Program 2023 (large enterprise category)

The Group was recognized under the **Certified Health & Productivity Management Outstanding Organizations Recognition Program** implemented by the Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi for its initiatives to promote mental and physical health among employees.



Recruiting human resources to support the Group and the region

In FY2024, we ranked 1st in a ranking of the most popular companies to work for new graduates, compiled by a local newspaper, for the second consecutive year.

We focus on recruitment activities to achieve the Group’s philosophy of “growing together with the community.”

“Job Hunting Fair 2025” hosted by  
The Ryukyu Shimpō Co., Ltd.  
Ranking of most popular companies  
to work for new graduates

	Points
1 The Bank of Okinawa	755
2 (Finance industry)	692
3 (General retailing industry)	477
4 (IT/systems)	426
5 (Marketing/IT)	310

Ryukyu Shimpō dated April 24, 2024

“Times Job Hunting Forum” hosted by  
Okinawa Times  
Comprehensive ranking of most  
popular companies to work for  
new graduates

	Points
1 The Bank of Okinawa	577
2 (Finance industry)	489
3 (General retailing industry)	325
4 (Finance industry)	289
5 (General energy business)	217

Okinawa Times dated March 27, 2024





# Status of Achievement of Management Indicator Targets

As a result of our efforts so far, the results for FY2023, the final year of the 1st Medium-Term Business Plan, against plan targets are as follows. Under the 2nd Medium-Term Business Plan, we will continue to aim for the further growth of ordinary income and net income and the further improvement of management indicators.

	<b><u>FY2023 Target</u></b>	<b><u>FY2023 Result</u></b>	<b>Evaluation</b>
<b>Consolidated ordinary income</b>	(Undisclosed)	<u>¥53.5 billion</u>	○
<b>Consolidated net income</b>	¥6.0 billion	<u>¥6.2 billion</u>	○
<b>Consolidated ROE</b> (shareholders' equity basis)	Approx. 4%	<u>3.92%</u>	○
<b>Consolidated OHR</b>	Approx. 70%	<u>75.96%</u>	×
<b>Consolidated capital ratio</b>	Approx. 10%	<u>10.49%</u>	○

# External Evaluation

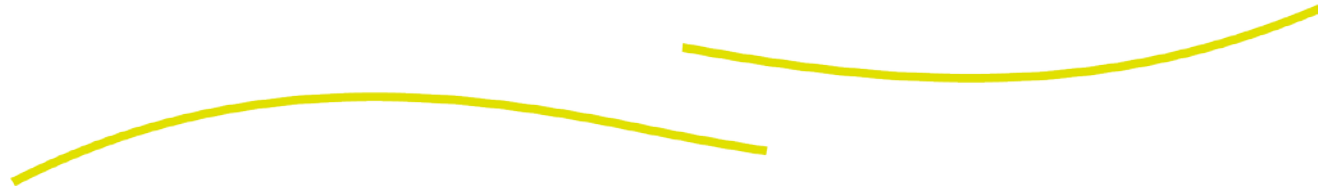
The Bank of Okinawa became the **first financial institution in Okinawa Prefecture** to be selected for the **WORLD'S BEST BANKS 2024** ranking compiled by **Forbes, an international business magazine**. The ranking includes 403 financial institutions, selected from a survey of over 49,000 individuals spanning 33 countries. A total of 33 financial institutions from Japan were selected.



# 5

## Outline of OFG's 2nd Medium-Term Business Plan

(April 2024 – March 2027)



# Name and Strategies of the 2nd Medium-Term Business Plan

Under the 2nd Medium-Term Business Plan, we will roll out various measures to “co-create growth” based on three strategies. We will implement medium- and long-term initiatives to “increase the value of local communities” in tandem with measures to “build a base for growth” to achieve moonshot targets. To realize these, we will implement our central strategy of “human capital management.”

## 2nd Medium-Term Business Plan (April 2024 – March 2027)

### Co-creating Growth – Growing Okinawa together –

#### Strategy I

##### Increase the value of local communities

- Contribute to the revitalization of Okinawa Prefecture’s leading industries, etc.
- Strengthen and support the capital bases of local enterprises
- Solve issues in regional and local communities
- Boost prefectural income and support asset formation
- Address climate change and global warming

#### Strategy II

##### Human capital management

- Develop human resources to contribute to increasing the value of local communities (Strategy I)
- Develop human resources to contribute to building a base for growth (Strategy III)
- Promote diversity
- Create and enhance employees’ work motivation

#### Strategy III

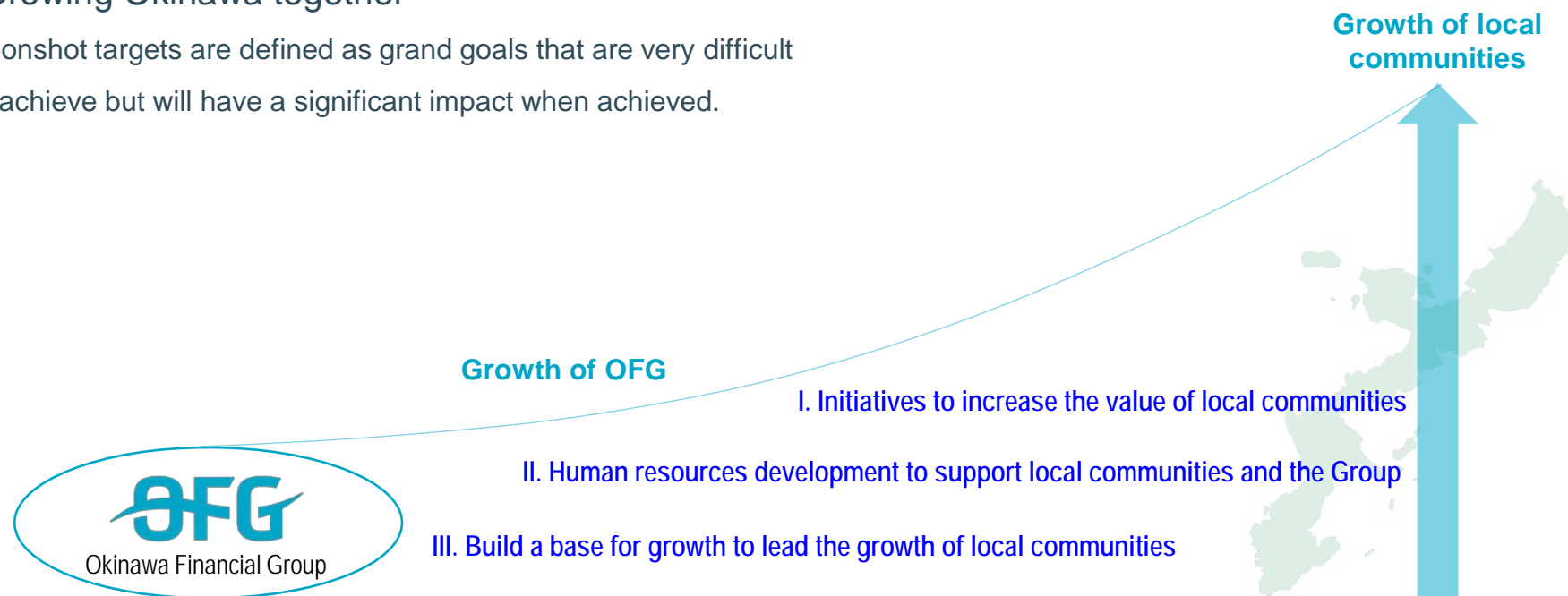
##### Build a base for growth

- Structural reforms to achieve dynamic growth
- Leverage Group synergies to achieve top-line growth
- Provide services through a market-in approach
- Increase corporate value

# Towards the “Co-Creation of Growth”

By taking on the challenge to achieve ambitious moonshot targets through its three strategies under the 2nd Medium-Term Business Plan, the Okinawa Financial Group will realize its aim of “Co-creating Growth – Growing Okinawa together –”

\*Moonshot targets are defined as grand goals that are very difficult to achieve but will have a significant impact when achieved.



	FY2021	FY2022	FY2023	<b>Moonshot targets</b> FY2026
Consolidated ordinary income	¥50.4 billion	¥52.6 billion	¥53.5 billion	<b>¥60.0 billion</b>
Consolidated net income	¥5.0 billion	¥5.8 billion	¥6.2 billion	<b>¥10.0 billion</b>
Consolidated ROE	3.25%	3.70%	3.92%	<b>Approx. 6%</b>
Consolidated capital ratio	11.09%	10.77%	10.49%	<b>Approx. 11%</b>

# Strategy I Increase the Value of Local Communities

We aim to overcome Okinawa's so-called "colander economy"\* through active involvement in large-scale developments within Okinawa Prefecture and stronger collaboration with local enterprises. At the same time, we will support the growth of enterprises to boost the level of wages, improve financial literacy to support asset formation, and address climate change and global warming to achieve a sustainable society.

\*The "colander economy" (*zaru keizai*) refers to a situation where the net sales and profits generated within the prefecture flow outside rather than circulating within the prefecture.

## ● Contribute to the revitalization of Okinawa Prefecture's leading industries, etc.

Strengthen response in the case of large-scale developments:  
Initiatives such as **structured finance**, **project leases**, **PPP**, **PFI**, etc.  
(The Bank of Okinawa, Okigin General Lease)

**Support cashless transactions** for tourism-related industries, regional municipalities, etc. (Okigin JCB)

## ● Boost prefectural income and support asset formation

**Support school education to improve financial literacy: visiting classes, etc.** (Group-wide)

Initiatives to address financial gerontology (solve the issue of economic activities in an aging society) (The Bank of Okinawa, Okigin Securities)

## ● Solve issues in regional and local communities

**Support regional municipalities, including those on remote islands, to solve issues**  
(The Bank of Okinawa, Okigin General Lease, Okigin JCB, Okigin SPO, Future Okinawa)

Offer **consulting services related to green transformation (GX)** (Future Okinawa)

## ● Strengthen and support the capital bases of local enterprises

**Support business evaluation and the visualization of corporate value** (The Bank of Okinawa)

Provide cooperative management improvement support (The Bank of Okinawa)

Support a stronger management base through DX promotion (Okigin SPO)

## ● Address climate change and global warming

**Achieve carbon neutrality by 2030** (Group-wide)

Thoroughly spread sustainable loans, ZEH housing loans, etc. (The Bank of Okinawa)

Thoroughly spread SDGs leases and ESG leases (Okigin General Lease)

# Strategy II Human Capital Management

We will respect a diverse range of value perceptions, aiming to be an organization where all of our employees can make the maximum use of their abilities, to be human resources that support the growth of the Group and local communities.

## ● Develop human resources to contribute to increasing the value of local communities (Strategy I)

Expand the number of holders of the Decarbonization Advisor qualification holders to support regional decarbonization (The Bank of Okinawa)

Hold level-specific training to increase the proportion of female managers (Group-wide)

**Hold training to boost consulting capabilities** to increase the value of local communities (contribute to revitalizing the leading industries, etc., and high-quality asset formation) (The Bank of Okinawa)

## ● Develop human resources to contribute to building a base for growth (Strategy III)

Implement training to strengthen proposal capabilities, improve consulting capabilities, etc., and support employees to obtain related qualifications (Group-wide)

**Boost the productivity of each employee through the operational streamlining, efficiency improvements, etc.** (Group-wide)

## ● Promote diversity

**Increase the proportion of female managers: Target 40% by FY2026** (Group-wide)

Build fields where senior human resources can play an active role (Group-wide)

## ● Create and enhance employees' work motivation

**Help employees achieve a work-life balance by expanding the use of the flex-time system and improving the leave system** (Group-wide)

**Improve Group-wide employee engagement** through measures such as the expansion of the internal job challenging program (Group-wide)



# Strategy III Build a Base for Growth

By promoting Group-wide operational streamlining and efficiency improvements, we will generate manpower to strengthen our sales capability, enabling us to implement various measures aimed at achieving our moonshot targets. We will also transform our sales style through the use of digital technologies and marketing automation\* to provide each of our customers with timely proposals tailored to their needs.

\*The automation of processes from information provision to proposals, to achieve effective and efficient sales.

## ● Structural reforms to achieve dynamic growth

Generate manpower through the shift to digital, self-serve teller services, to double the number of corporate sales representatives (The Bank of Okinawa)

**Generate manpower and strengthen sales capability through the Group-wide centralization of operations** (Group-wide)

## ● Provide services through a market-in approach

Enable users to complete procedures for personal loans through the app and make proposal through non-face-to-face channels based on transaction data (The Bank of Okinawa)

**Utilize marketing automation and digital technologies to make asset management and other proposals** (The Bank of Okinawa)

Provide total solutions through Group partnership (Group-wide)

## ● Leverage Group synergies to achieve top-line growth

Establish a next-generation Group information platform to build a framework for Group-wide data utilization (Group-wide)

**Expand business areas and partnerships with local enterprises to boost revenue from outside the Group and increase the ratio of consolidated-to-non-consolidated earnings** (Group-wide)

Build new business models and rebuild business models (Group companies)

## ● Increase corporate value

**Implement measures to boost ROE to improve PBR** (Group-wide)

Control risk-weighted assets through measures such as the optimization of the credit risk-weighted assets portfolio (The Bank of Okinawa)



# Key Measure: Double the Number of Corporate Sales Representatives

In addition to streamlining teller operations to generate manpower, reducing workload to establish an operating structure that requires fewer employees, and speeding up career planning to double the number of corporate sales representatives, we will strengthen human resources development based on OJT and practical experience to build a framework to solve customer issues.

## ● Shift to digital, self-serve teller services

Expand the functions of the retail banking app Okigin Smart  
Full-scale roll-out of the Biz-Bank app and online services for businesses

Expand functions to establish an environment where it is no longer necessary to visit bank branches

Shift to self-serve in-branch transactions through the installation of tablet terminals, etc.

**Reduce waiting time and geographical restrictions, building environments where customers can complete transactions independently**

## ● Reduce and centralize administrative work

Reduce work related to deposits and loans, or centralize processing at the head office, to reduce the workload on employees and establish an operating structure that requires fewer employees

**Reduce administrative work by approximately 30% (approximately 200,000 hours/year, or 2.6 hours/day per person), and redeploy personnel as corporate sales representatives**

## ● Create an environment where it is easy for employees to shift careers

Shorten the period in which new employees undertake teller duties to **reduce the time before they become corporate sales representatives** (from the current 5–7 years to 3–5 years)

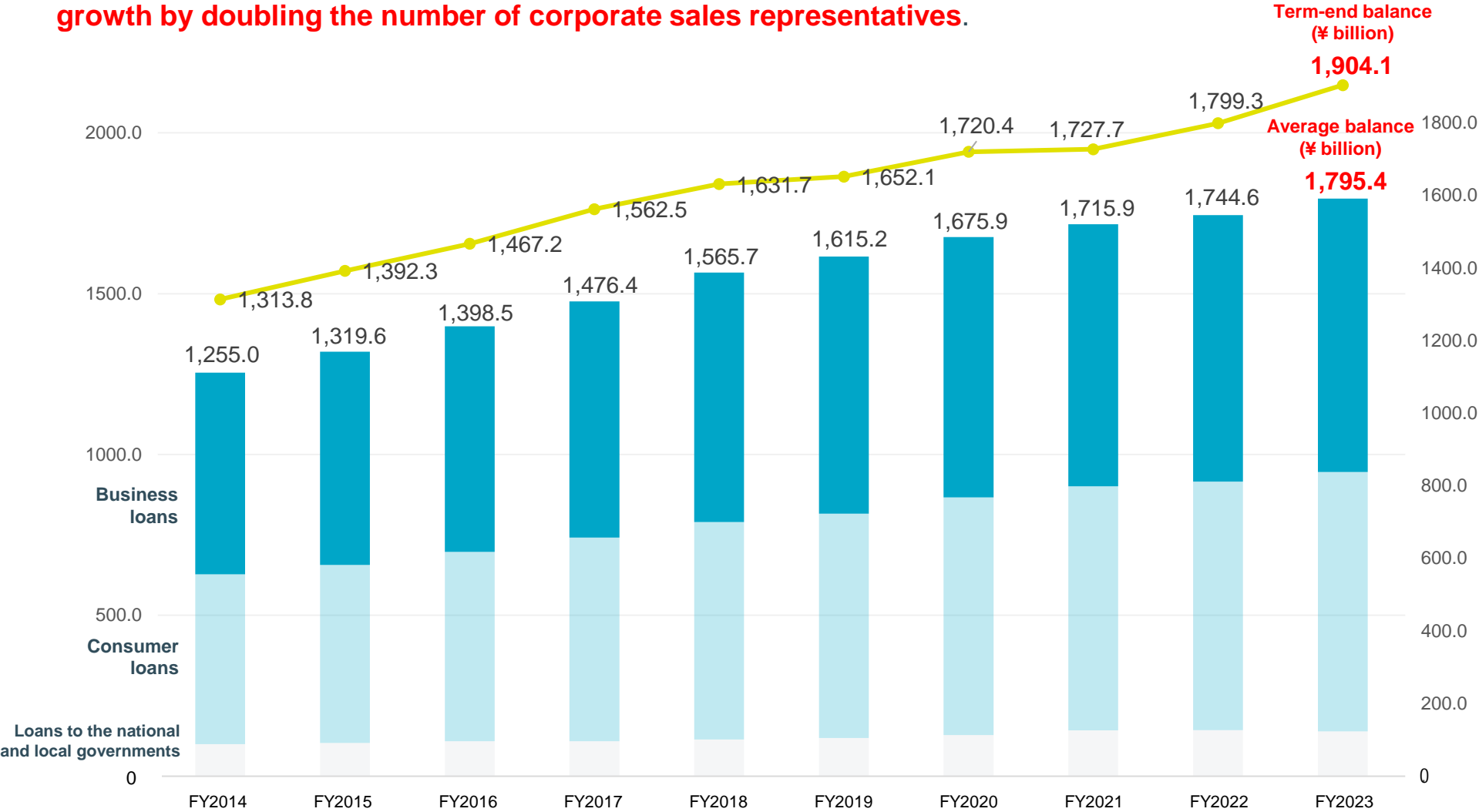
## ● Strengthen human resources development

Streamline operations and improve efficiency to give employees the freedom to undertake OJT at their workplaces, strengthening human resources development based on practical experience

**Build frameworks to solve the issues faced by customers**

# Balance of Loans

For our moonshot targets, we aim to **grow the annual average balance of loans and bills discounted to ¥2 trillion**, to increase income from interest on loans and discounts by approximately ¥5.0 billion (compared to FY2023). The **current term-end balance has already passed the ¥1.9 trillion mark**, and we will **aim for further growth by doubling the number of corporate sales representatives**.

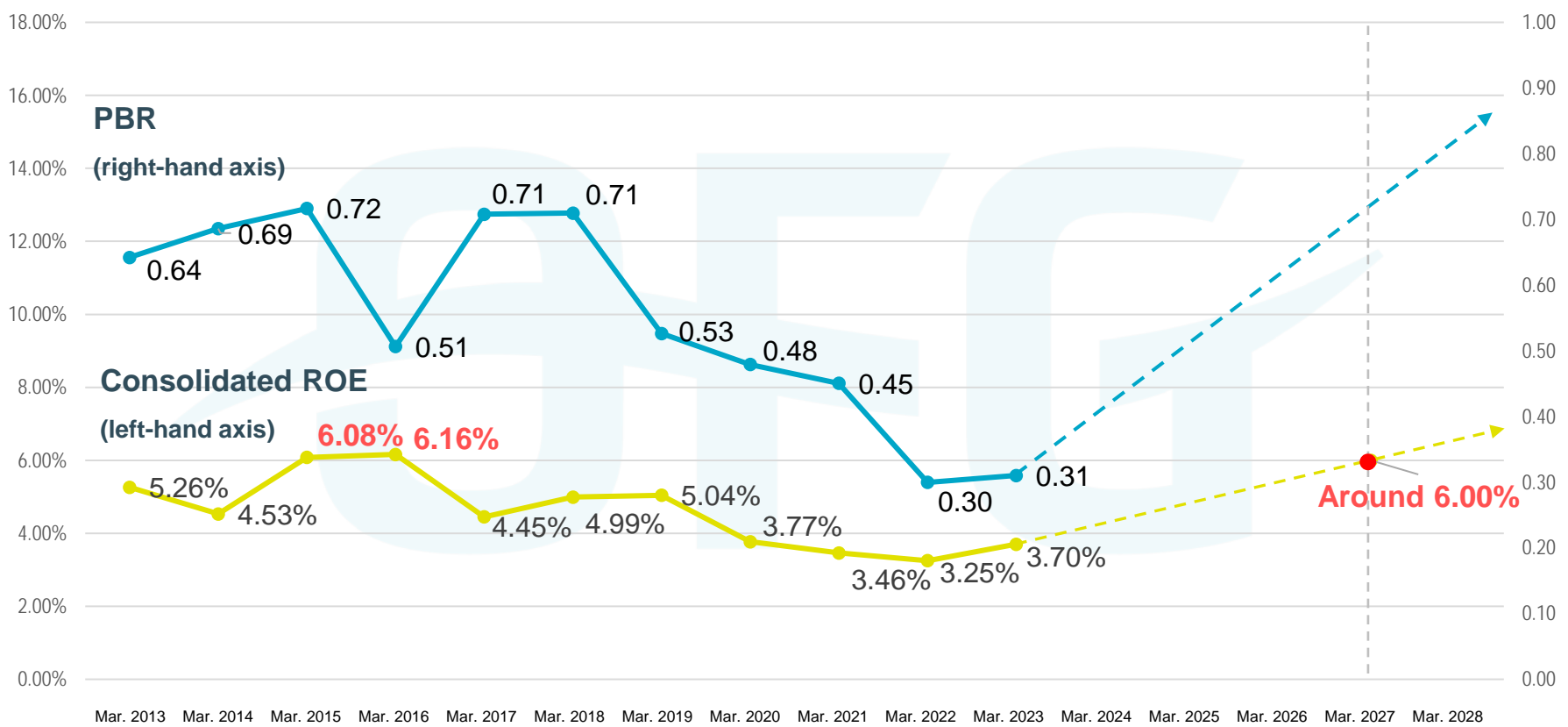


# Initiatives to Increase Corporate Value: Increasing ROE to Achieve a PBR of 1

OFG's **price-to-book ratio (PBR)**, a measure of market valuation, is at **around 0.3 at present**, and we are aware of the need to raise ROE to around 8%\* in order to bring the PBR to 1.0. Under the 2nd Medium-Term Business Plan, we will **achieve an ROE of around 6% by growing top-line revenue (ordinary income) through the achievement of our moonshot targets**, then continue to engage in boosting ROE.

\*This is assumed to be the general level of the cost of shareholders' equity demanded of Japanese companies by institutional investors.

<Consolidated ROE and PBR>



## Initiatives to Increase Corporate Value: Utilizing Market Characteristics for Top-line Growth

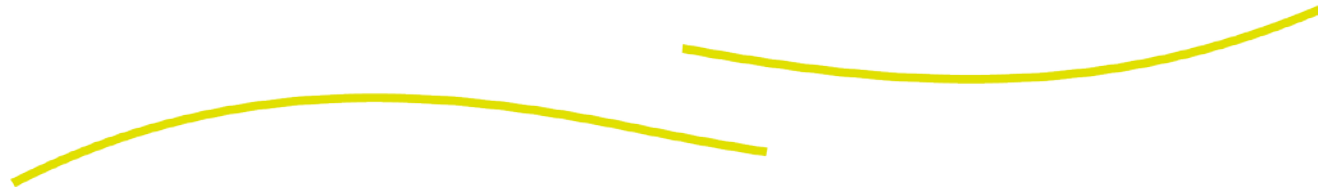
We will capture the business opportunities associated with Okinawa's economic growth based on its geographical advantages and the V-shaped recovery in tourism to improve profitability Group-wide. We will leverage Group synergies to provide one-stop services to solve the issues faced by customers, such as the business expansion support provided by Okigin General Lease, the expansion of cashless environments by Okigin JCB, DX support by Okigin SPO, asset formation support by Okigin Securities, and various consulting services and sales channel development support by Future Okinawa. **By contributing to the growth of each and every one of its retail and business customers, the Okinawa Financial Group will lead the growth of the whole regional community and achieve business expansion and increased profitability.**



# 6

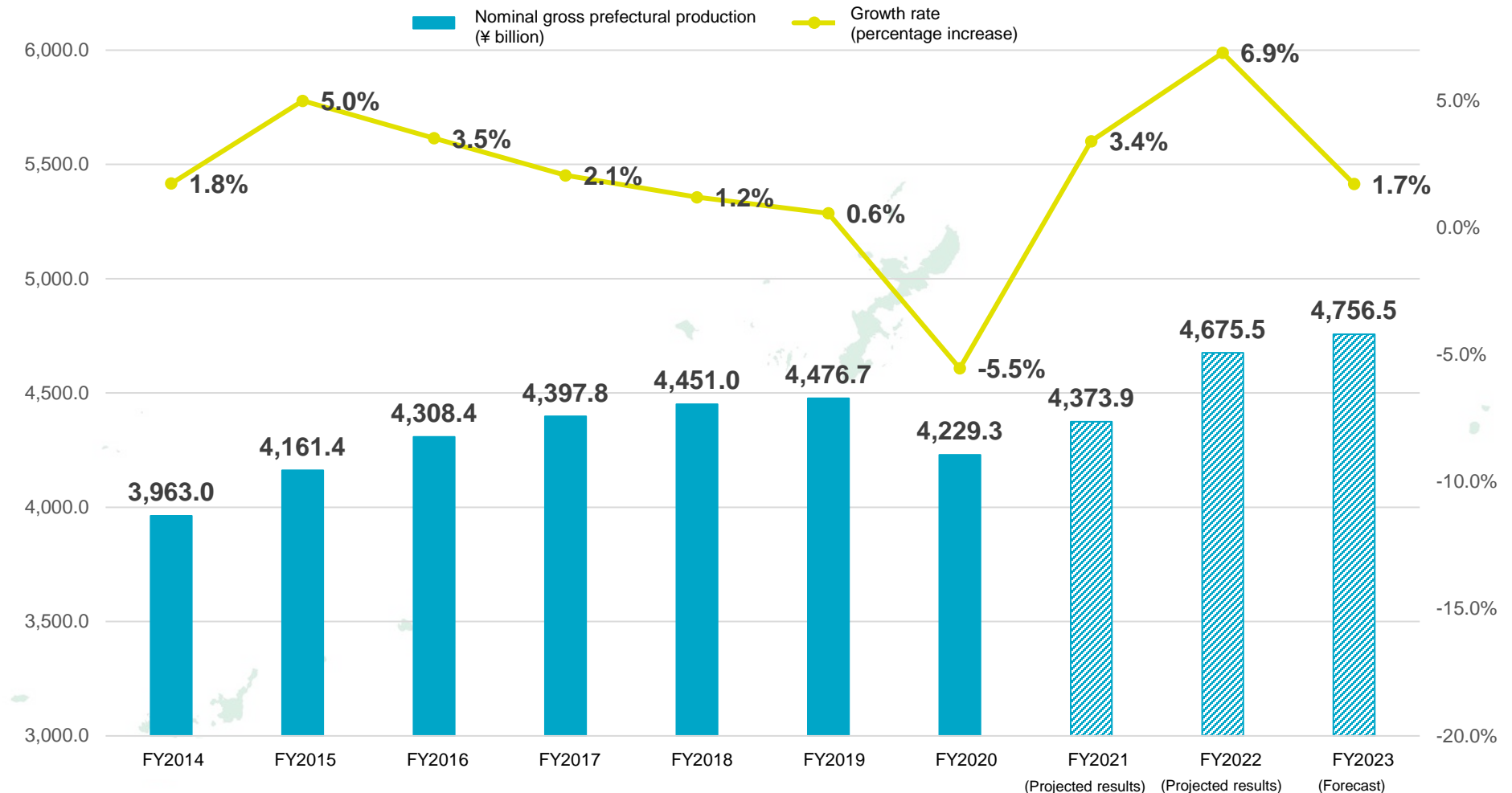
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Trends in Economy in Okinawa



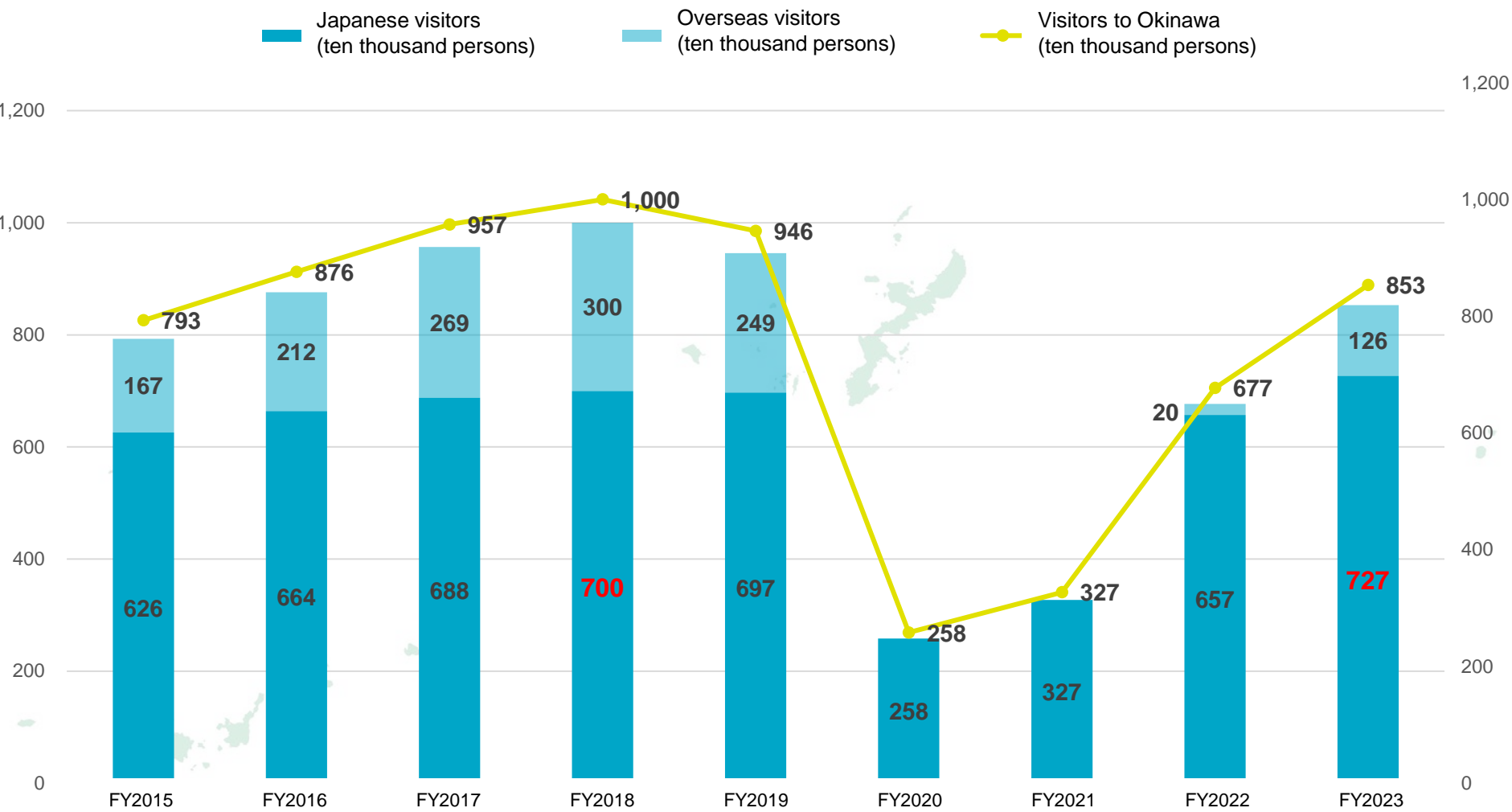
# Nominal Gross Prefectural Production

The nominal gross prefectural production of Okinawa Prefecture is trending upwards. It **increased by 6.9% year on year in FY2022 and is forecast to exceed ¥4.7 trillion in FY2023**, mainly due to the normalization of socioeconomic activity resulting from the reclassification of COVID-19 to a Class 5 infectious disease.



# Number of Visitors to Okinawa

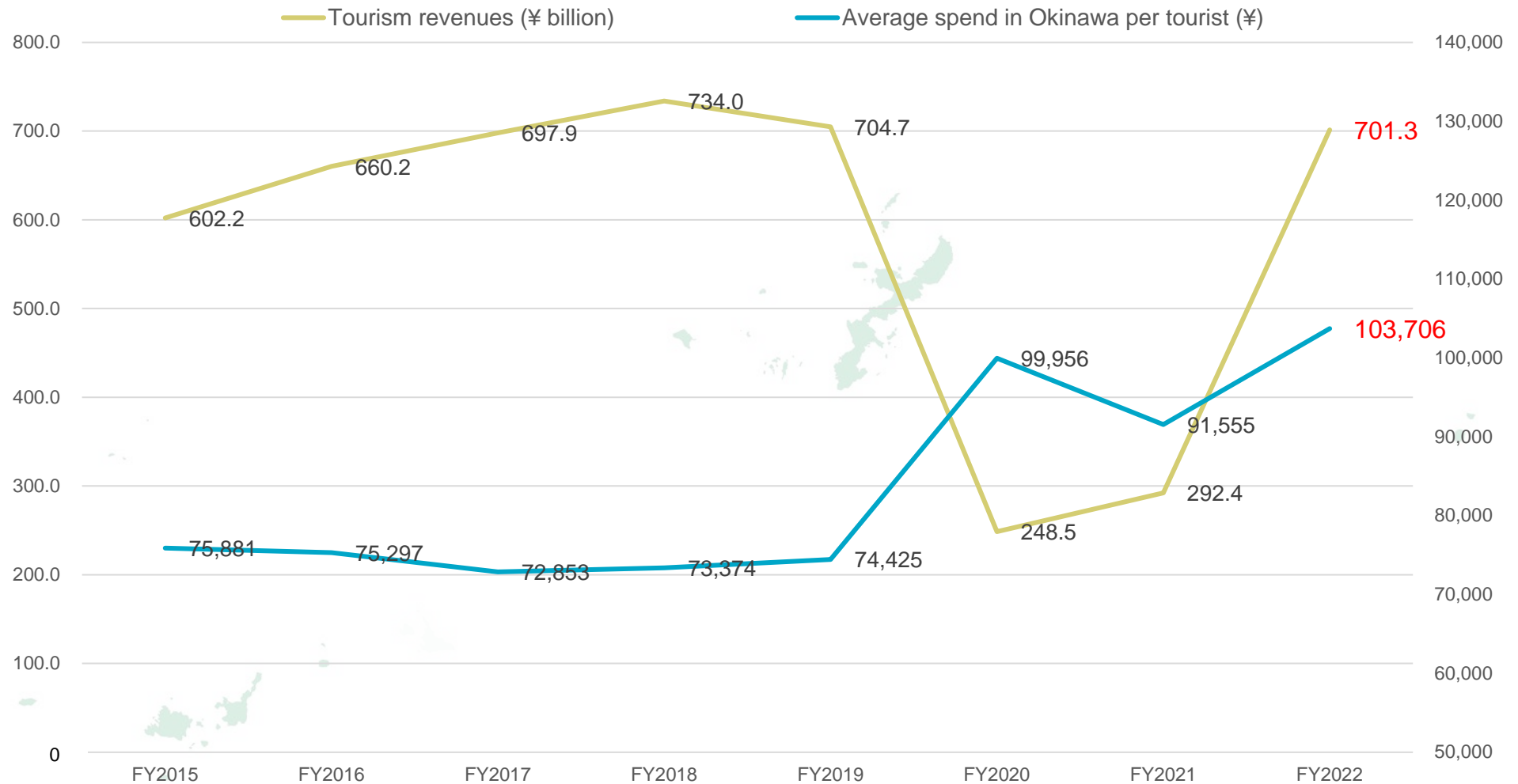
In FY2023, the number of Japanese visitors was 7,269 thousand, exceeding FY2018, before the COVID-19 pandemic, by 3.8% (265 thousand). The number of overseas visitors is also recovering, and is expected to grow further in the future.



# Tourism Revenues

**Tourism revenues\* in FY2022 recovered to a similar level to before the COVID-19 pandemic, at ¥701.3 billion. Average spend in Okinawa per tourist exceeded ¥100,000, and tourism revenues are expected to continue to rise due to the increase in tourist numbers.**

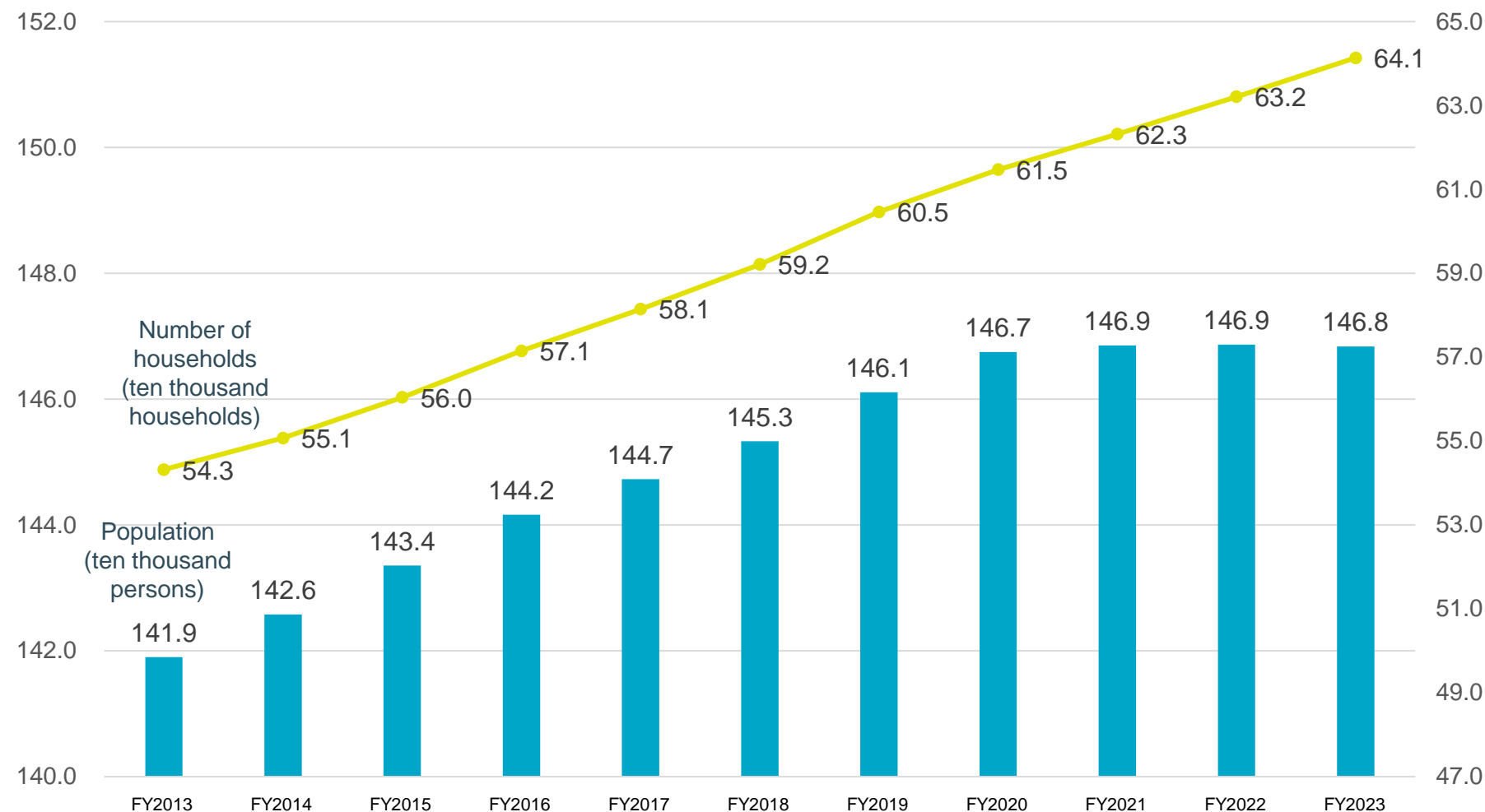
\*Income from accommodation, transport within Okinawa Prefecture, souvenirs and shopping, food and beverage, entertainment, entry fees, etc.





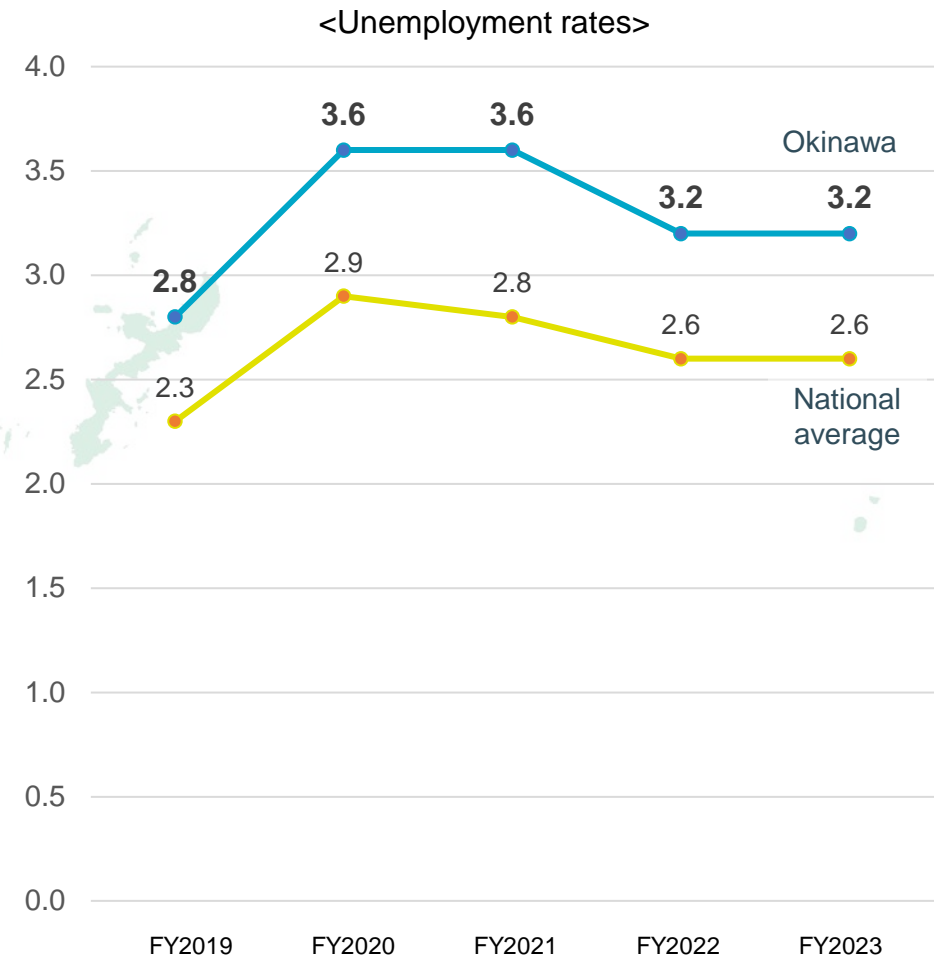
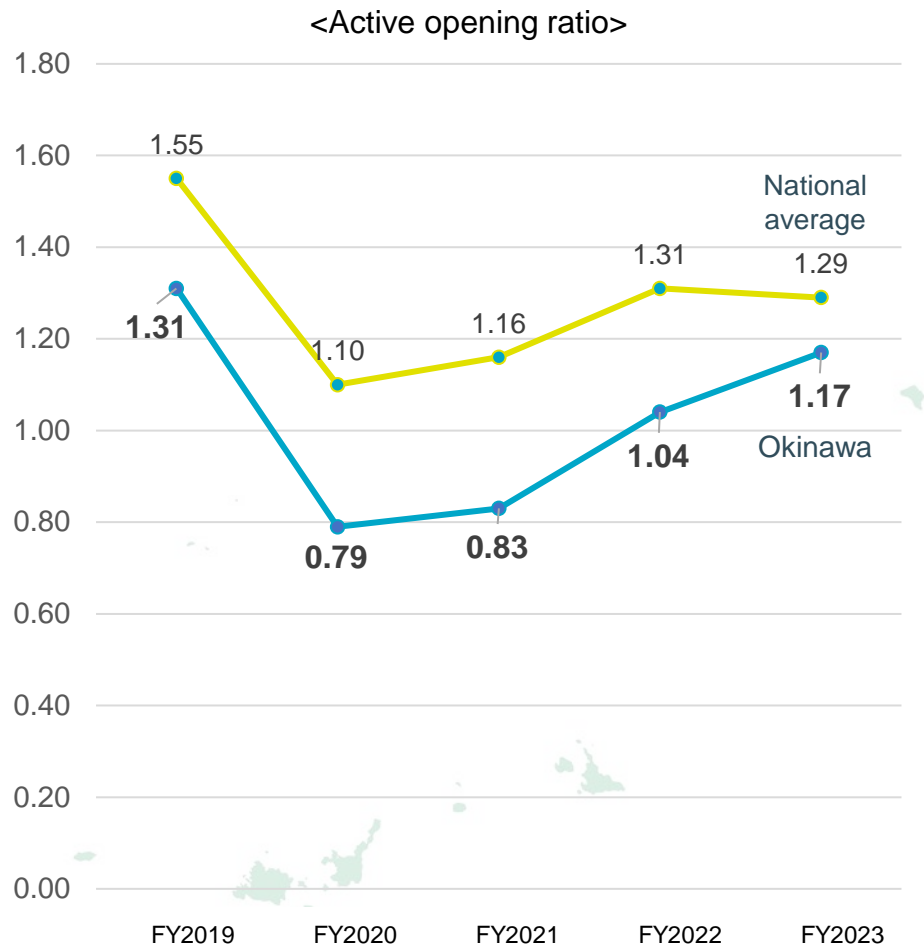
# Population and Number of Households

Although the population began to decline in 2023, the National Institute of Population and Social Security Research forecasts that, **until 2050, Okinawa Prefecture will have the second lowest rate of population decline in Japan behind Tokyo, and the highest proportion of persons aged 0 to 14 years.**



# Active Opening Ratio and Unemployment Rate

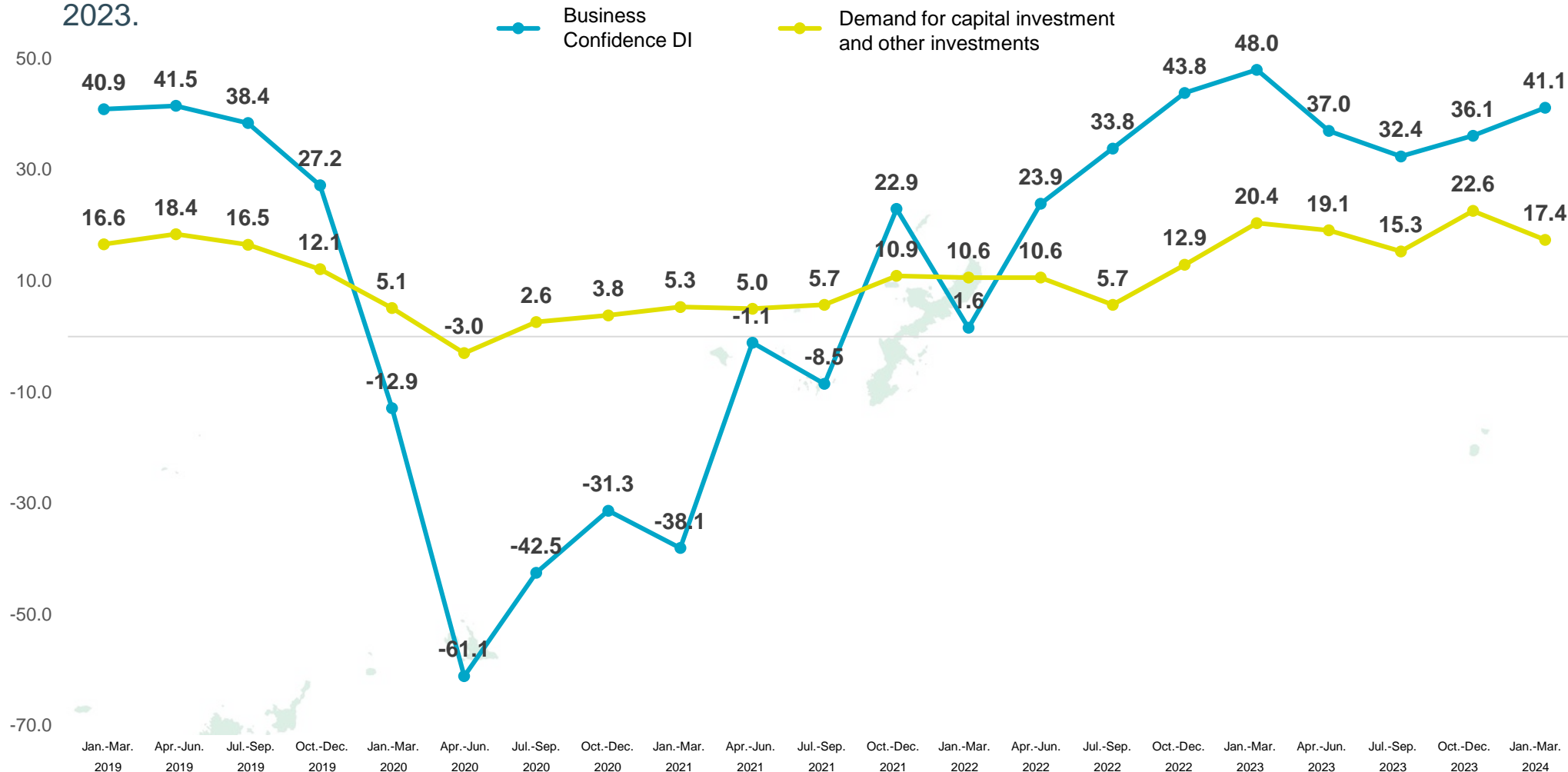
The active opening ratio exceeded 1.0 for the second consecutive year, on the back of a recovery in tourism demand after the COVID-19 pandemic. The unemployment rate remained at a similar level to the previous fiscal year.



# Business Confidence DI and Demand for Capital Investment and Other Investments

Corporate business sentiment experienced an upturn as the COVID-19 pandemic was brought under control, and has remained positive since.

Investment demand has also remained steadily positive, with the degree of positivity rising further since 2023.



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