



# Business Strategies

Ⓞ 沖縄銀行

# 17th Medium-Term Business Plan



## From Customer Focused Operational Reforms to New Value Creation

### 1. Outline of Medium-Term Business Plan “CHANGE FOR VALUE – Three Years of New Value Creation –” (1)

17th Medium-Term Business Plan CHANGE FOR VALUE - Three Years of New Value Creation - April 2015 to March 2018 (3 years)

#### - From “Customer focused operational reforms (change)” to “Customer focused new value creation” -

We will continue to grow together with regional customers as the “PEOPLE’S BANK,” most loved by people in Okinawa, by materializing “operational reforms (change)” for the new era with our customer focused attitude that we have built to create and offer “customer focused new value” based on the well-established attitude.

### Three basic strategies to undertake in “Three Years of New Value Creation”

“Customer focused” operational reforms

- Operational reforms materializing “customer’s point of view” (Delegation of power, downsizing, streamlining)
- Initiative toward fundamental improvement of customer waiting time
- Establishing sales structure which customers can feel the “attraction”

“Customer focused” new value creation

- Establish and put into practice the PDCA cycle for high quality human resource development
- Expand service value at “customer contact point (sales base)”
- Materialize new services combined with our brand strategy

Productivity improvement using strategic information

- Materialize PDCA that is backed by information
- Build strategies to utilize IT, which the value will be acknowledged by customers (Shift from using IT for streamlining to value creation)

Materialization of a new sustainable business model which the value will be recognized by customers

Contribute to revitalization of regional communities as the No.1 bank in the region



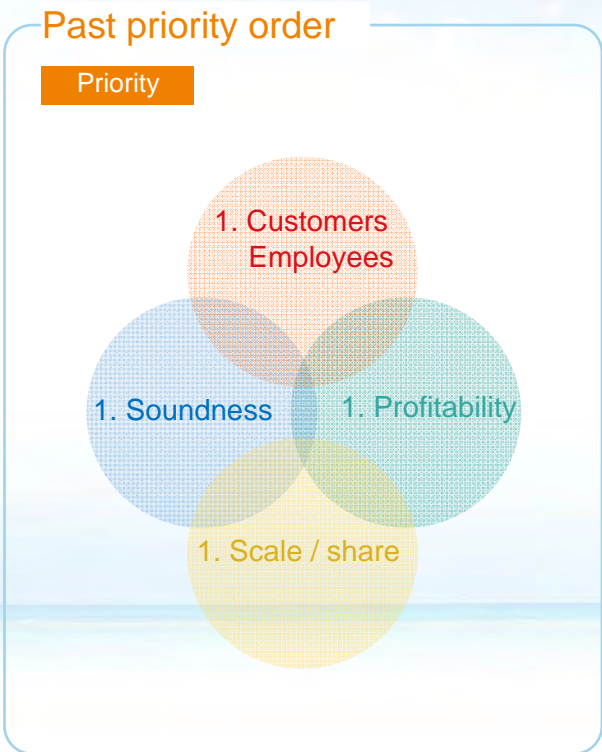
# 17th Medium-Term Business Plan



## Achievements of “Customer Focused” Strategy - Clarifying the Top Priorities to Address -

Clarify that “customer satisfaction” and “employee satisfaction” are the top priority issues for building a sustainable business model

### Medium-Term Business Plan - CHANGE FOR VALUE -



Priority	Basic concept
1. Customer satisfaction	The significance of our existence is “customer satisfaction” through implementation of “management philosophy (deeply rooted in the community/contribution to the community),” and we define this as the top priority in order to survive the era of great competition.
2. Employee satisfaction	We will realize the “PEOPLE’S BANK,” loved by people in Okinawa, filled with motivation and dynamics of our employees, by putting into practice that “customer satisfaction” is the true reward for working
3. Profitability	Complete operational reforms to strengthen the top line revenue backed by customer satisfaction
4. Soundness	Maintain the No.1 soundness within the prefecture and contribute to continued development of Okinawa
5. Scale / share in prefecture	Steadily expand our customer base by being chosen by the customers, through increase of customer satisfaction level



# 17th Medium-Term Business Plan



Management Goal = Expansion of Client Base Through Improvement of Customer Satisfaction

Management numerical targets to aim by achieving “customer focused operational reform”

## Medium-Term Business Plan - CHANGE FOR VALUE -

	Management numerical targets	FY2017
Profitability	(1) ROE for consolidated net income	6.00% - 6.99%
	(2) Business profit on core banking operations	Around ¥11.0 billion
Growth potential	(3) Number of major corporate customers (Current) 5,700	25% increase in the number of customers (FY2017) Around 7,000
	(4) Number of major individual customers (Current) 278,000	25% increase in the number of customers (FY2017) Around 350,000
Soundness	(5) Non-performing loan ratio	Around 2%
	(6) Capital ratio	Around 11%

**[Target in growth potential]**  
 Build steady business base through expansion of the number of our customers by improving customer satisfaction.

■ Major corporate customers / major individual customers  
 Corporate and individual (including business) customers using us as their main bank (defined by the Bank).



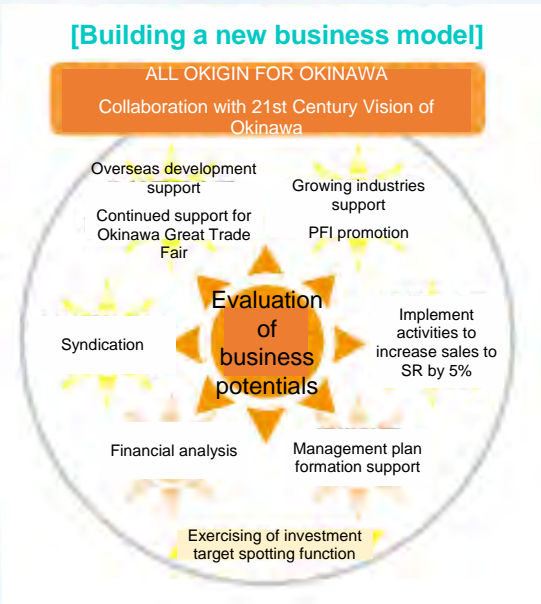
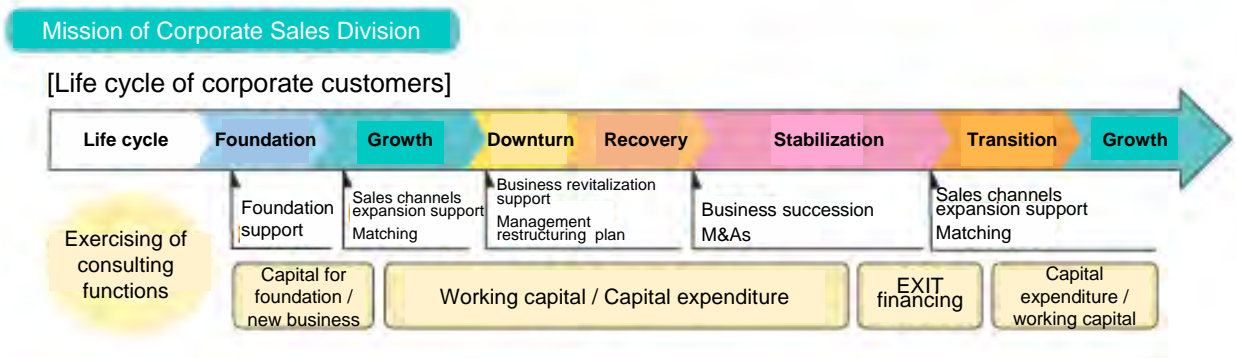


# 17th Medium-Term Business Plan



## Growth Strategy I: Expansion of Corporate (Business) Customers

We will expand corporate (business) customers who would use us as their main bank by offering services by utilizing “consulting functions” according to the life cycle of corporate (business) customers.



**Evaluation of business potentials:**  
Financial institutions should facilitate the growth of companies and industries based on an assessment of borrower companies' business profiles and growth potential (evaluation of customers' business potentials), providing financing and advice without overly relying on financial data, collateral and guarantees.  
(Excerpt from the Financial Monitoring Policy for 2014-2015)



# 17th Medium-Term Business Plan

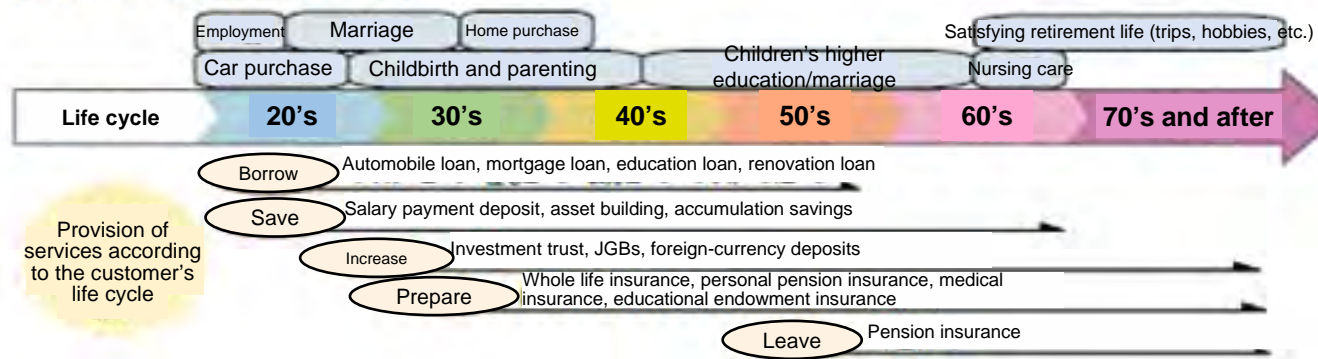


## Growth Strategy II: Expansion of Individual Customers

We will expand individual customers who would use us as their main bank by promptly offering appropriate financial services according to the life cycle of individual customers.

### Mission of Individual Sales Division

[Life cycle of customers]



Provision of services according to the customer's life cycle

ALL OKIGIN FOR OKINAWA  
(Enhance collaboration with credit card / guarantee subsidiaries in particular)



# 17th Medium-Term Business Plan

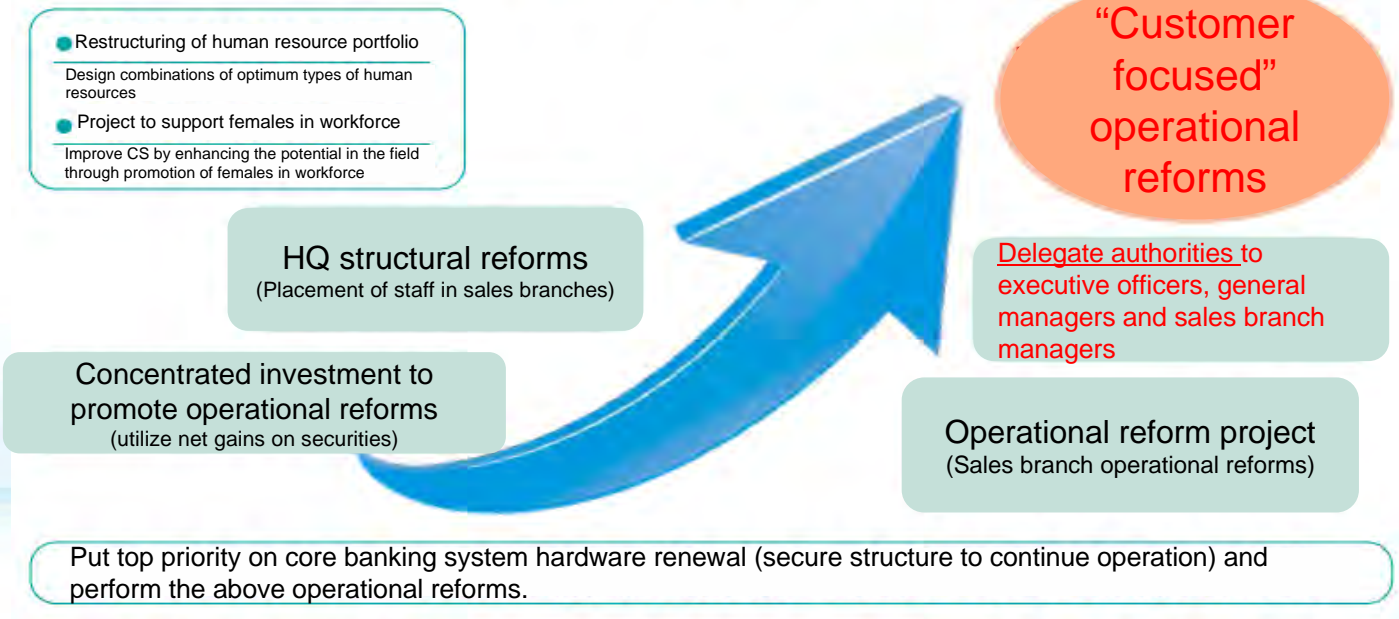


## Initiative for the First Year, “Customer Focused” Operational Reform

We will strive for operational reforms eliminating prerequisites in the first year (FY2015) in order to successfully achieve the Medium-Term Business Plan.

We will aggressively invest in introduction of IT in operations and improvement of efficiency in order to ensure the achievement of operational reforms.

### Concept of the first year (operational reforms) of Medium-Term Business Plan



# Business Performance Forecasts



(¥ billion)

Non-consolidated	FY14	FY15	YoY change
Ordinary income	36.4	36.7	+0.2
Gross business profit	30.5	30.6	+0.0
Interest income	27.8	27.6	(0.1)
Fees and commissions	2.3	2.3	+0.0
Fees and commissions (excluding trust fees)	2.0	2.0	+0.0
Trust account services	0.3	0.3	(0.0)
Other business profit	0.3	0.6	+0.2
Gains (losses) on bond trading	0.2	0.6	+0.3
Expenses (excluding non-recurrent items)	19.7	20.8	+1.0
Business profit on core banking operations	10.6	9.2	(1.4)
Provision of general allowance for possible loan losses	(0.3)	0.0	+0.3
Net business profit	11.2	9.8	(1.3)
Non-recurrent items	(1.2)	(1.2)	+0.0
Net gains (losses) on equity securities	0.1	0.4	+0.2
Bad debt disposal (non-recurrent items)	1.9	2.0	+0.0
Ordinary profit	9.9	8.5	(1.3)
Extraordinary gains (losses)	(0.1)	(0.0)	0.0
Net income	6.7	5.6	(1.1)
Credit costs	1.6	2.0	+0.3

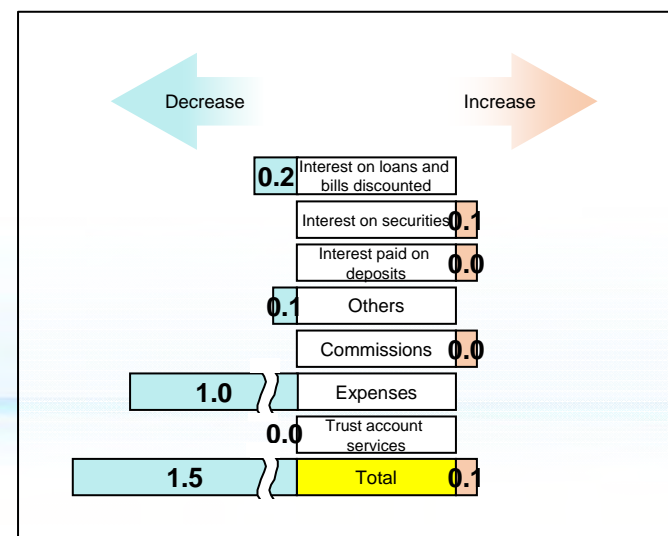
## Year-on-year changes forecast

(¥ billion, %)

	Average balance	Yield	Interest
Loans and bills discounted	+68.8 [+67.6]	(0.12) [(0.12)]	(0.2) [(0.3)]
Securities	+4.7	+0.02	+0.1
Deposits	+76.1 [+76.5]	(0.00) [(0.00)]	(0.0) [(0.0)]
Others	-	-	(0.0) [(0.0)]
Total	-	-	(0.1) [(0.2)]

Note) Figures in square brackets include trust accounts.

## YoY comparison of business profit on core banking operations



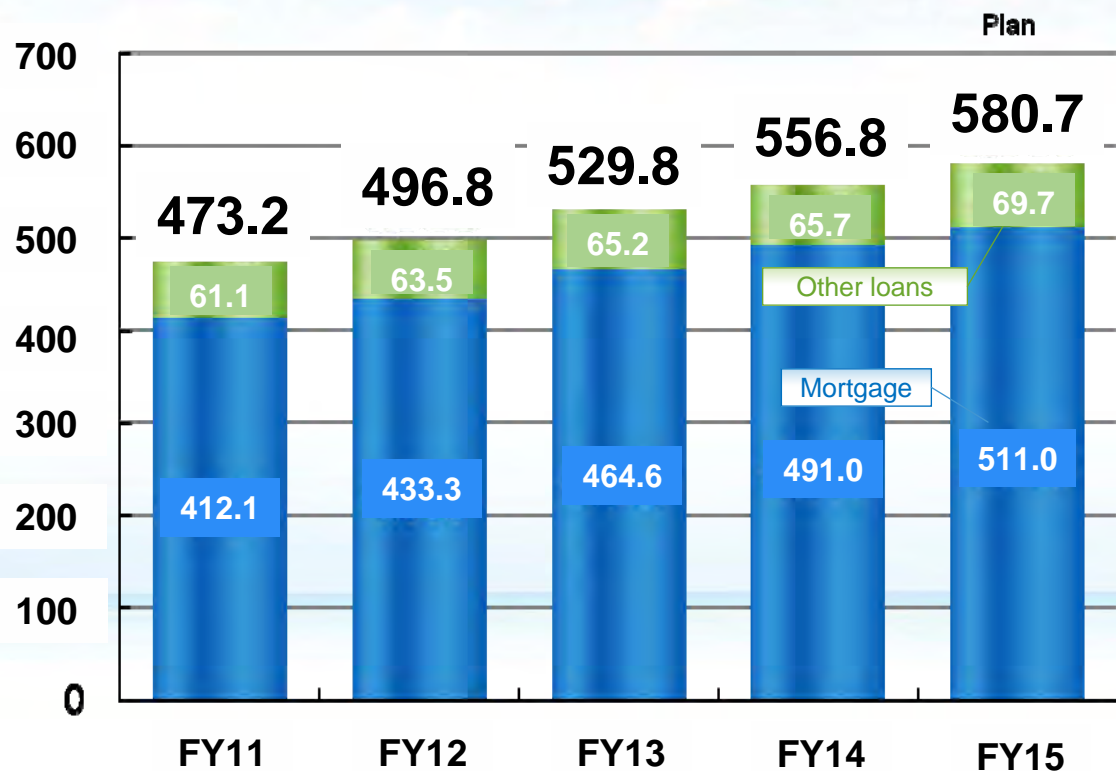


## Strategy for Consumer Loans



Mortgage loans ¥20.0 billion, Other loans ¥4.0 billion  
 Consumer loans ¥580.7 billion (+4.2% YoY)

(¥ billion)



- ◆ Solid housing demand
- ◆ Higher personal spending on the back of improving economic outlook

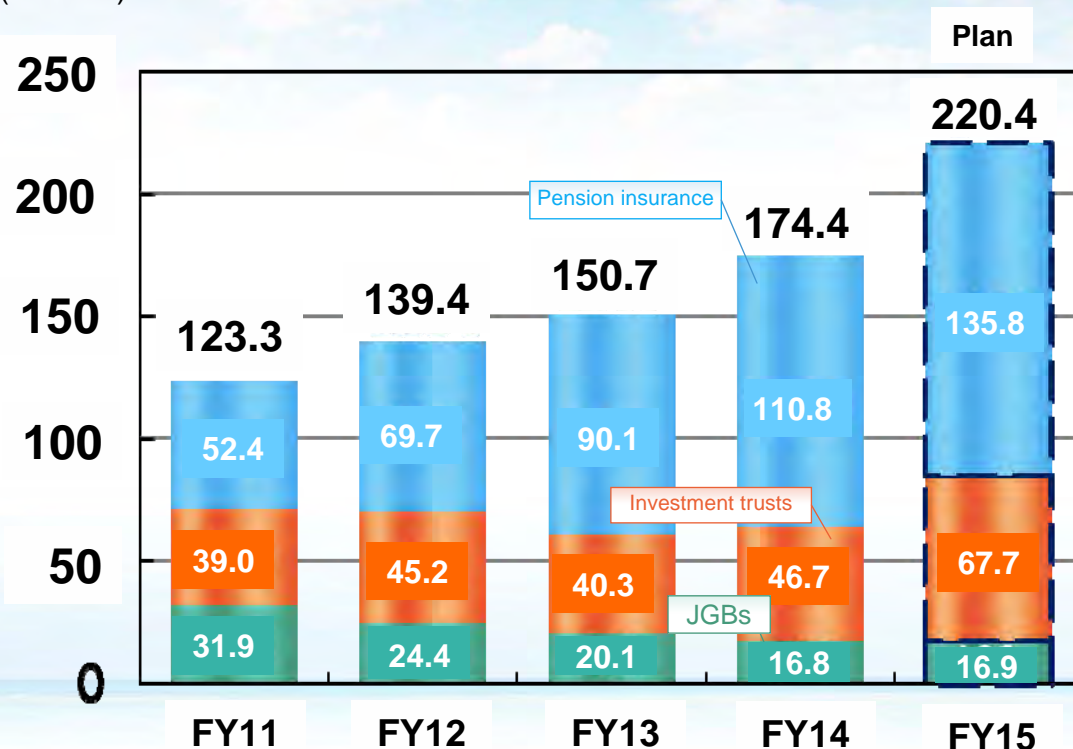


## Strategy for Assets in Custody



Boost sales focusing mainly on pension insurance and investment trusts

(¥ billion)



### Pension insurance

Targeted sales volume  
¥25.0 billion

### Investment trust

Targeted sales volume  
¥21.0 billion

### JGBs

Targeted sales volume  
¥0.1 billion

\* Pension insurance totals are cumulative sums sold.

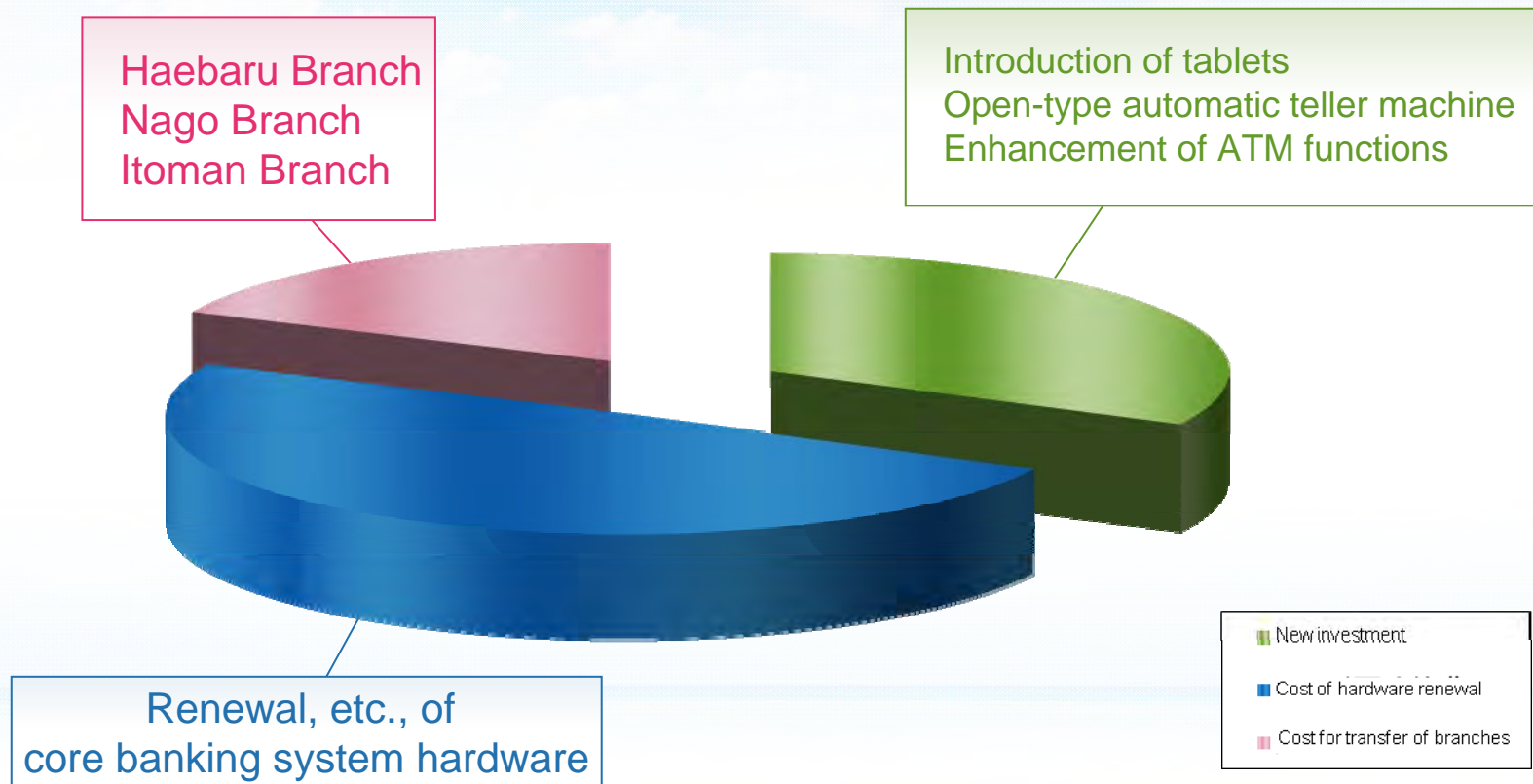
\* Sales target added to the balance as of the end of the previous fiscal year for the fiscal year ending March 31, 2015 excludes contract and other cancellations.



# Aggressive Investment Strategy



Details of increased expenses (¥1.4 billion) in FY2015



## Branch Network Strategy



Efficient branch allocation through area marketing  
Setting up branches focusing on customer convenience

- ◆ October 2014 Yamauchi Branch (former Moromi Branch) relocated and re-opened for business
- ◆ April 2015 Haebaru Branch relocated and re-opened for business
- ◆ July 2015 Nago Branch scheduled to relocate, be newly built and re-opened for business



Yamauchi Branch



Haebaru Branch



Nago Branch





## Shareholder Returns



Up ¥2.5 for the interim dividend for FY2014 (up ¥5 annually)  
Shareholder returns with stable dividend and flexible share buy back

	FY11	FY12	FY13	FY14	FY15 (forecast)
Payout ratio (%)	22.4	22.3	25.0	19.4	23.4
Total return ratio (%)	30.8	34.1	36.4	33.7	
Dividend (yen)	65	65	65	70	70
Share buy back (million yen)	498	700	602	1,055	—

