

The Business Environment in Okinawa

Effects of Novel Coronavirus (COVID-19) Outbreak

The novel coronavirus (COVID-19) outbreak is having a serious impact on Okinawa's economy with businesses being suspended in the tourism sector, which is the major industry of Okinawa Prefecture, and events being cancelled and postponed. The Okigin Group has also had to partially reduce its operations in order to prevent the spread of the virus, placing top priority on the safety of its customers and employees. We will implement all possible safety measures for our employees so that they can continue to provide customers with services that they can use with peace of mind. We will promptly announce the impact on our profits and losses as soon as it becomes clear.

Effects on the market environment

Financial industry

Risk of increased allowances due to changes in terms and conditions as a result of the spread of COVID-19

Tourism industry, etc.

Risk of profit decline due to prolonged business suspension

Effects on the Group

Financial industry

Risk has not materialized at this point.

Tourism industry, etc.

We will actively provide support based on government policies.

Environment Surrounding the Group

External environment

Opportunities

- One of the few prefectures with a growing population (the only prefecture with a natural increase in population)
- Warm subtropical climate (which supports winter tourism)

Threats

- Growing and lingering effects of COVID-19
- Intensified competition due to entry from other industries (such as FinTech)
- Over banking, other banks' expansion into the prefecture

Internal environment

Strengths

- The only comprehensive financial service group in the prefecture to own a securities subsidiary.
- High capital ratio compared to other banks in the prefecture
- Stable increase in major customers

Weaknesses

- Low ratio of fees and commissions compared to other banks (There is a room for improvement).
- The ratio of real estate in loans at a regional bank is high (There is a room for development in business feasibility evaluation).

Profile of Okinawa Prefecture

Rate of change in population

Rank	Prefecture	Rate of change (%)
1	Tokyo	7.1
2	Okinawa	3.9
3	Saitama	2.7
4	Kanagawa	2.4
5	Aichi	2.1
6	Shiga	1.1
7	Chiba	0.8
8	Osaka	-0.4
9	Fukuoka	-0.7
10	Kyoto	-3.1
National average		-2.2

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

Rate of natural increase/decrease in population

Rank	Prefecture	Index (%)
1	Okinawa	2.0
2	Tokyo	-1.1
3	Aichi	-1.3
4	Shiga	-1.6
5	Kanagawa	-2.0
6	Saitama	-2.5
7	Fukuoka	-2.6
8	Chiba	-3.0
9	Osaka	-3.1
10	Hyogo	-3.6
National average		-3.8

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

Regional brand survey

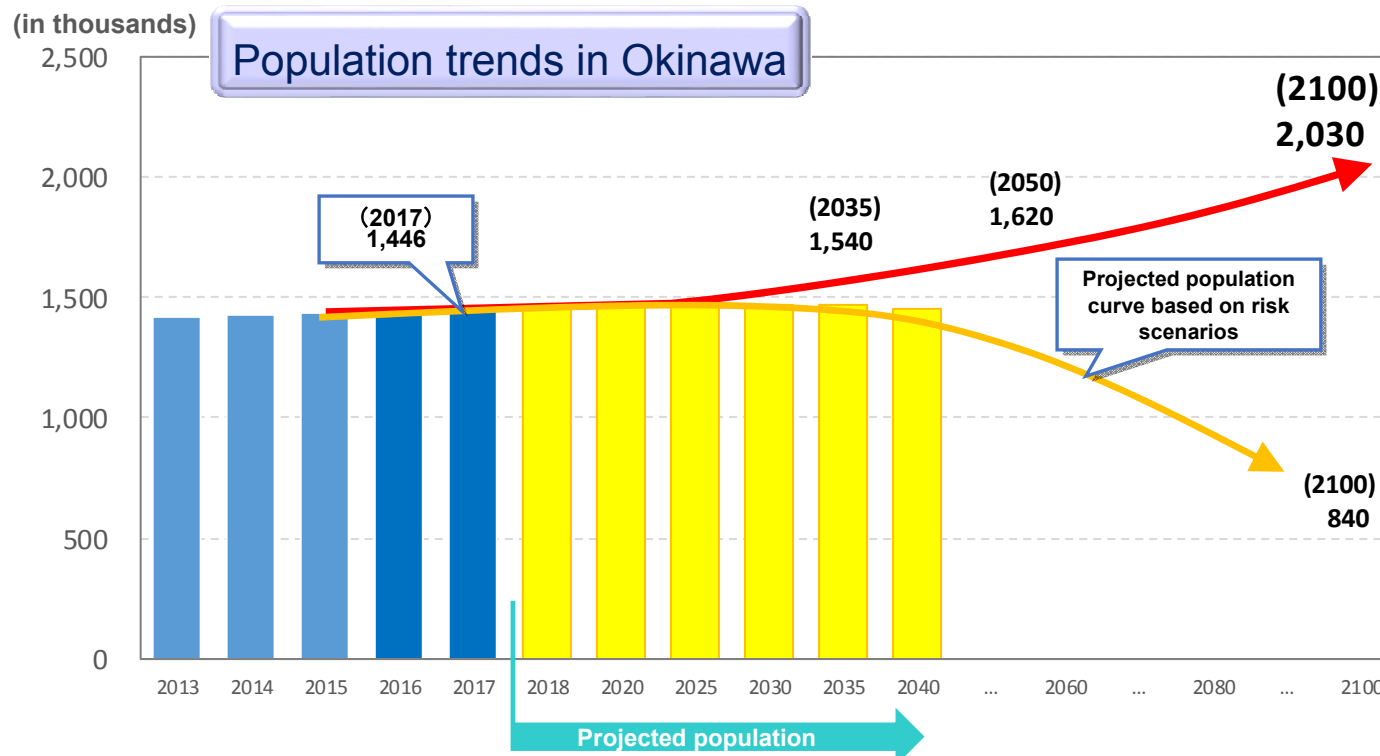
Rank	Prefecture	Attractiveness (Points)
1	Hokkaido	61.0
2	Kyoto	50.2
3	Tokyo	43.8
4	Okinawa	40.4
5	Kanagawa	34.5
6	Osaka	32.9
7	Nara	30.0
8	Fukuoka	29.6
9	Ishikawa	25.4
10	Nagano	24.8

Source: Brand Research Institute, Inc., Regional Brand Survey 2019

Population of Okinawa (Future Prospects)

The population of Okinawa is expected to take a downward turn in and after 2030

Population is on the increase at this stage, but active steps towards population growth are being taken now



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 residence
- Industrial development by demonstrating attractive regional characteristics

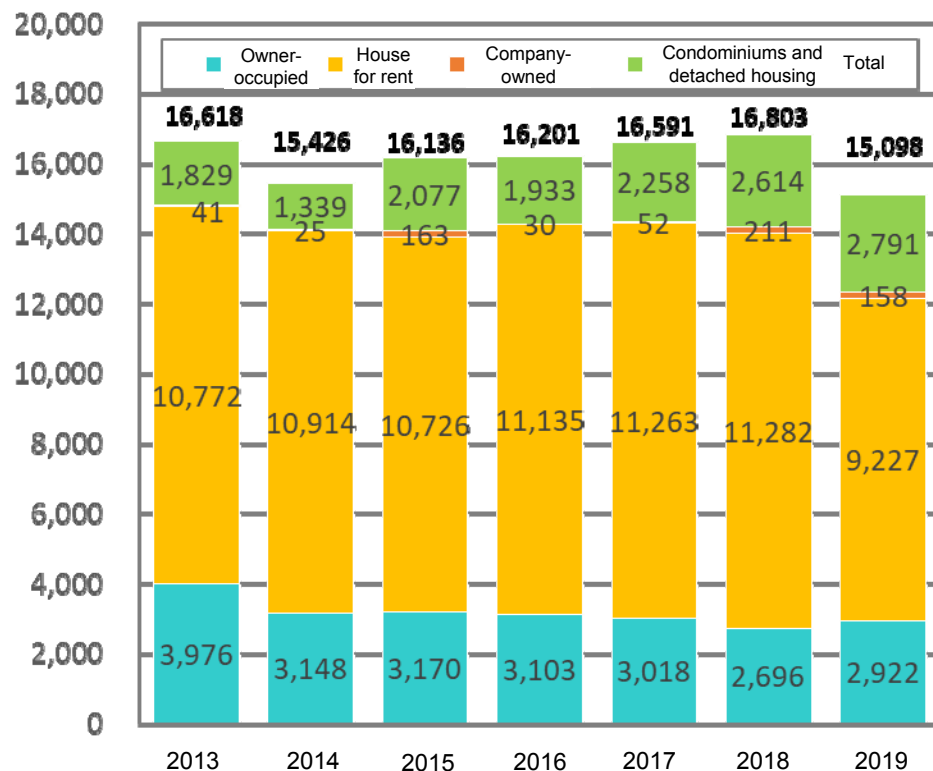
Projected future population: National Institute of Population and Social Security Research

(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

Housing Market Trends in Okinawa

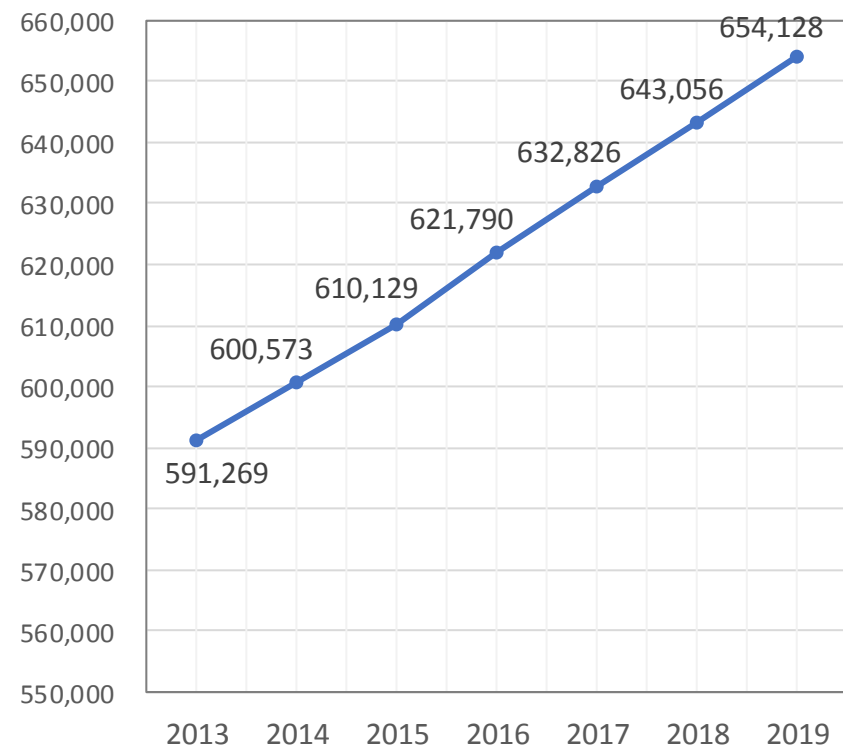
- Housing market in Okinawa remains strong
- According to the national census 2015, growth rate of population and number of households are both the highest in Japan

Number of new housing starts by housing type



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

Total number of households in Okinawa

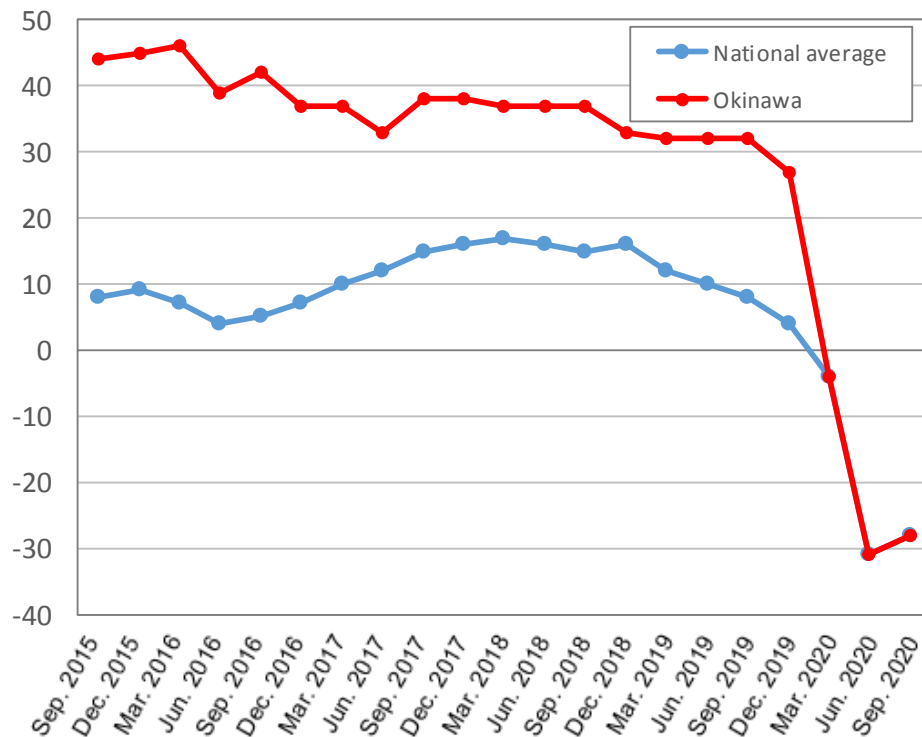


Source: Okinawa Prefectural Government, Department of Planning, Municipal Administration Division

Economic Trends in Okinawa (1)

BOJ Tankan

BOJ Tankan Business Confidence DI



Overview

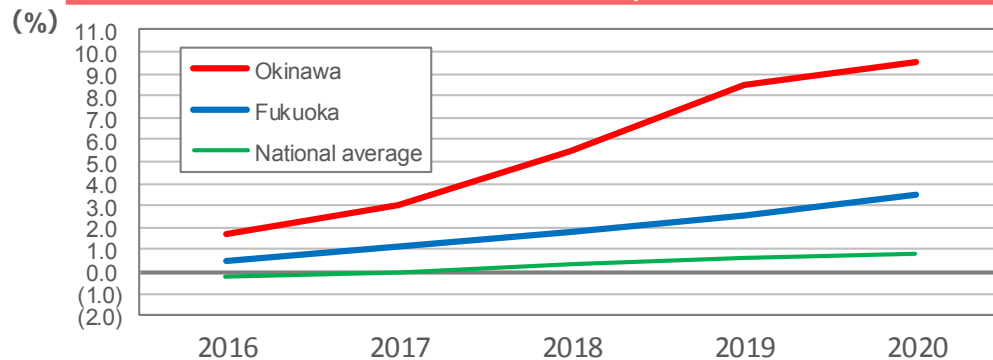
- ◆ Conditions in the prefectural economy remain challenging due to the COVID-19 outbreak.
- ◆ Conditions for personal consumption also remain unfavorable.
- ◆ The same applies for tourism.
- ◆ In terms of public investment, performance is solid.
- ◆ Capital investment has remained weak.
- ◆ Residential investment has remained weak.

Source: BOJ Naha Branch

Economic Trends in Okinawa (2)

Official land prices

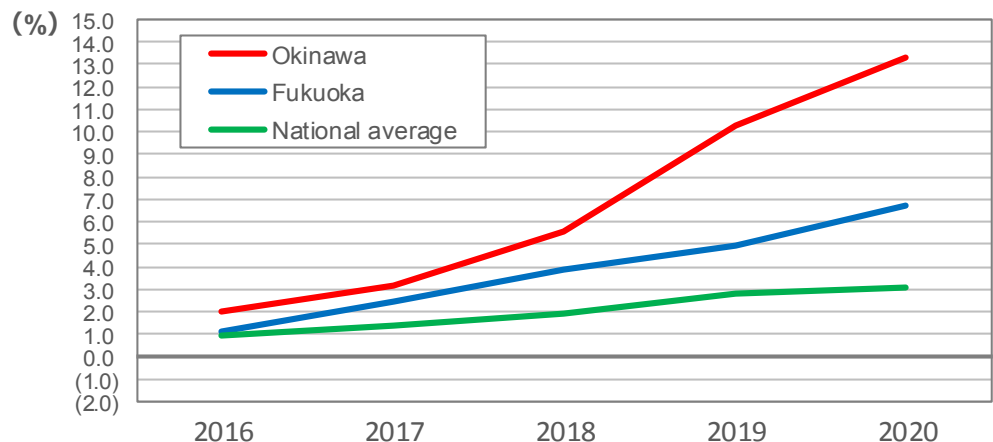
Residential land prices



Overview

◆ **Average residential land prices in Okinawa increased by 9.5%, after increasing 8.5% in the previous year** and continue to trend upward. There is growing housing demand due to an increase in population and low interest rates, which is considered to be a factor for a continuous rise in residential land prices. Residential land prices in Itoman City and Yomitan village have also increased due to an increase in the number of people seeking housing in the suburbs. However, much remains unclear as to what impact the COVID-19 outbreak will have on land prices.

Commercial land prices



◆ **Average commercial land prices in Okinawa increased by 13.3%, after increasing 10.3% in the previous year** and continue to trend upward. There is wide-ranging demand for commercial land in construction of hotels, drug stores, restaurants and other facilities, due to growing demand for tourism. As with residential land, much remains unclear as to what impact the COVID-19 will have on commercial land prices.