The Business Environment in Okinawa
Competitive Advantage of Okinawa’s Ideal Location

With major Asian cities within range of 4 hours, located in the heart of East Asia

Freight network linking major cities in Japan and Asia, centered on Naha Airport

- Overnight freight network with Okinawa as the hub
- Cargo freighter (B767-F) night services to major Asian cities
- Quick connections to major Japanese cities via Haneda
- 21 direct domestic passenger routes
- Offers express services within Asia

Source: ANA Cargo
Okinawa Growth Industry Strategy: Development as a Gateway to Asia

Points
- The Conference of Industrial Competitiveness in Kyushu and Okinawa was established to consider growth strategies in the Kyushu and Okinawa regions, in light of an emergency resolution by the Japan Revitalization Strategy and National Governors’ Association.
- To consider growth strategies in Okinawa and cooperative measures between Okinawa and Kyushu, the Okinawa Session was established under the Conference.

Basic Concept
Position Okinawa as a “Gateway to Asia” hub for trade and interaction in people, products, money, and information

Okinawa’s Potential
“Locational Benefits”
The center of East Asia
- Key cities of Tokyo, Seoul, Hong Kong, Shanghai, Taipei, Manila, etc., within 1,500km (within four hours by airplane) from Naha

International logistics hub-related industries
- Concentrating products nationwide to Okinawa and expanding into Asia
- Enriching and differentiation for international expos and business meetings, including the Great Okinawa Trade Fair
- Strengthening cooperation with other regions
- Concentration of Okinawa-type industries adjacent to airports and sea ports
- Maintenance of infrastructure toward strengthening logistics hub functions

Health / Bio / Sports / ICT Industries
- Making Okinawa a hub for internal and external advanced information and technology exchange
- Strengthening intellectual foundations by concentrating internal and external advanced researchers and companies
- Creating and adding value in sports-related industries
- Effective utilization of IoT and big data
- Promotion, etc., of measures in island-type environmental business, renewable energy development, and energy conservation

Industries Utilizing Regional Resources
Creating new industries in view of the Asian market through use of Okinawa’s diverse biological and tourism resources, etc.
- Adding value to tourism
- Expanding production strength and adding value to agricultural and fishery products and foods produced in Okinawa
- Broadcasting artistic and cultural industries to the world

Personnel development to support key strategic industries
- Developing world standard global business personnel
- Personnel to create new businesses via comprehensive cooperation across industrial sectors
- Personnel with advanced technological skills

Okinawa’s Potential
“Knowledge Foundations”
Research and development institutions to attract and develop personnel
- Okinawa Institute of Science and Technology (OIST)
  - World-class academic and international research and education
- Okinawa Clinical Simulation Center
  - Facility for personnel development in the latest treatments

Okinawa’s Potential
“Regional Resources”
Subtropical climate and diversity born of an island environment
- Nature and landscape that includes blue skies and seas and mangrove forests
- Traditional entertainment and culture such as music, “eisa,” and traditional dance
- Unique island produce such as peucedanum japonicum, turmeric, hemerocallis fulva, and lxeris

Source: Okinawa Subcommittee Report, The Conference of Industrial Competitiveness in Kyushu and Okinawa
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.

Population trends in Okinawa

<table>
<thead>
<tr>
<th>Year</th>
<th>Population (in thousands)</th>
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<tbody>
<tr>
<td>2010</td>
<td>1,393</td>
</tr>
<tr>
<td>2015</td>
<td>1,434</td>
</tr>
<tr>
<td>2035</td>
<td>(2035) 1,540</td>
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<tr>
<td>2050</td>
<td>(2050) 1,620</td>
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<td>2100</td>
<td>(2100) 2,030</td>
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</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Okinawa</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1,434</td>
<td>127,095</td>
</tr>
<tr>
<td>2020</td>
<td>1,460</td>
<td>125,325</td>
</tr>
<tr>
<td>2025</td>
<td>1,468</td>
<td>122,544</td>
</tr>
<tr>
<td>2030</td>
<td>1,470</td>
<td>119,125</td>
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<tr>
<td>2035</td>
<td>1,466</td>
<td>115,216</td>
</tr>
<tr>
<td>2040</td>
<td>1,452</td>
<td>110,919</td>
</tr>
</tbody>
</table>

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
FY2017 marked a record 9.57 million tourists visiting Okinawa
The number of overseas tourists was 2.69 million (up 26.4% YoY), renewing a record high

Target for FY2021 revised upward: 10,000,000 ⇒ 12,000,000

Number of Visitors to Okinawa

Trends in the number of visitors and tourism revenues

Source: “Tourism Overview,” Okinawa Prefecture

Number of port calls by cruise ships in 2017: 515
Scheduled number of port calls in 2018: 662 (up 29%)
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

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</thead>
<tbody>
<tr>
<td>Owner-occupied</td>
<td>1,381</td>
<td>944</td>
<td>1,829</td>
<td>41</td>
<td>1,339</td>
<td>2,077</td>
<td>1,933</td>
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<tr>
<td>House for rent</td>
<td>205</td>
<td>85</td>
<td>10,772</td>
<td>25</td>
<td>163</td>
<td>30</td>
<td>52</td>
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<tr>
<td>Company-owned</td>
<td>10,914</td>
<td>10,726</td>
<td>11,135</td>
<td>11,263</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Condominiums and detached housing</td>
<td>2,773</td>
<td>3,431</td>
<td>3,976</td>
<td>3,148</td>
<td>3,170</td>
<td>3,103</td>
<td>3,018</td>
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</table>

Total number of households in Okinawa

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</thead>
<tbody>
<tr>
<td>Owner-occupied</td>
<td>568,850</td>
<td>578,975</td>
<td>591,269</td>
<td>600,572</td>
<td>610,129</td>
<td>621,299</td>
<td>632,826</td>
</tr>
<tr>
<td>House for rent</td>
<td>57,000</td>
<td>55,000</td>
<td>53,000</td>
<td>51,000</td>
<td>49,000</td>
<td>47,000</td>
<td>45,000</td>
</tr>
<tr>
<td>Company-owned</td>
<td>51,000</td>
<td>53,000</td>
<td>55,000</td>
<td>57,000</td>
<td>59,000</td>
<td>61,000</td>
<td>63,000</td>
</tr>
<tr>
<td>Condominiums and detached housing</td>
<td>11,000</td>
<td>11,500</td>
<td>12,000</td>
<td>12,500</td>
<td>13,000</td>
<td>13,500</td>
<td>14,000</td>
</tr>
</tbody>
</table>

Source: Statistics Section, Planning Department, Okinawa Prefecture
The prefectural economy is **expanding overall**.

In terms of **personal consumption**, trends are strong against a backdrop of an increase in the prefecture’s population, tourism demand, and an improved employment and earnings environment within the prefecture.

In terms of **tourism**, performance is favorable as domestic demand is strong and demand from foreign visitors is rising.

In **construction-related terms**, public investment is solid. Additionally, residential investment is trending at high levels against a backdrop of an increase in the prefecture’s population.

In terms of **employment and earnings trends**, improvement is advancing.

Source: BOJ Naha Branch
Average residential land prices in Okinawa increased by 5.5%, after increasing 3.0% in the previous year and continue to trend upward. Demand remains strong overall for land for both detached homes and condominiums against a backdrop of an increasing population. In particular, the Shintoshin area, the adjacent Makabi area, and other land under land readjustment programs is becoming scarce as it is very popular and there is little vacant land owing to its convenience and good environmental conditions.

Average commercial land prices in Okinawa increased by 5.6%, after increasing 3.2% in the previous year and continue to trend upward. The main reason for rising land prices is thriving business conditions in urban areas in central Naha, including new hotel openings and new redevelopments.
In the past, Okinawa suffered nearly twice the unemployment rate of the national average, but the rates have steadily fallen, becoming closer to the national level.