

The Business Environment in Okinawa

PEOPLE'S BANK

Ⓞ 沖縄銀行

The Bank of Okinawa, Ltd

Competitive Advantage of Okinawa's Ideal Location

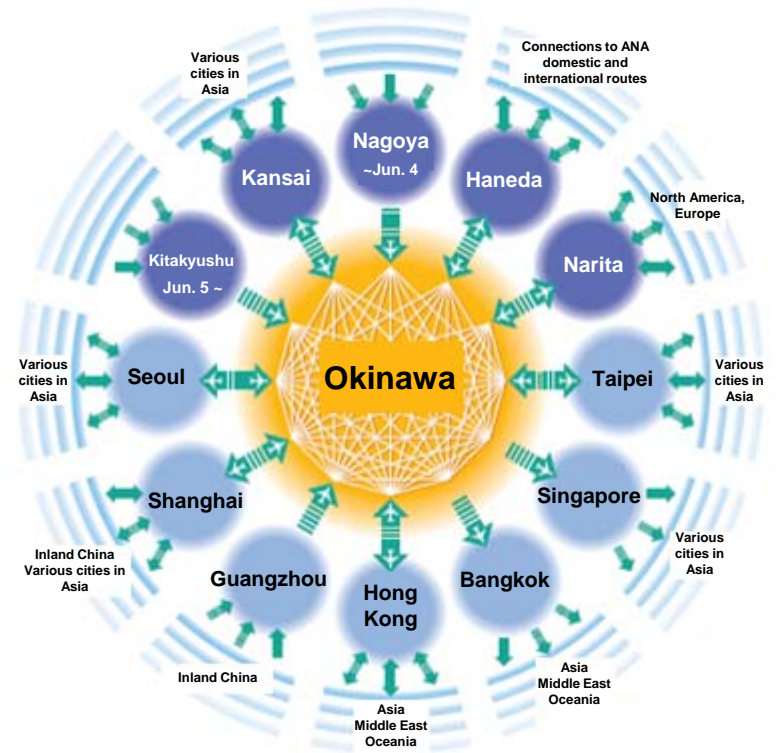
With major Asian cities within range of 4 hours, located in the heart of East Asia



Overnight freight network with Okinawa as the hub

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

- 1 Cargo freighter (B767-F) night services to major Asian cities
- 2 Quick connections to major Japanese cities via Haneda
- 3 21 direct domestic passenger routes
- 4 Offers express services within Asia



● 2018 summer schedule

Source: ANA Cargo



Okinawa Growth Industry Strategy: Development as a Gateway to Asia

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.

State of Okinawa

- An international air cargo hub business began in 2009 to connect various Asian cities with the mainland, utilizing the locational benefits of Okinawa. Okinawa is highly suited as an industrial location targeting emerging markets.
- A world-class research educational institution (OIST) was opened. Startup venture firms and IT firms have entered and converged.
- A wealth of attractive regional resources (environment, agricultural products, and culture)

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



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 *Ixeris*



Personnel development to support key strategic industries

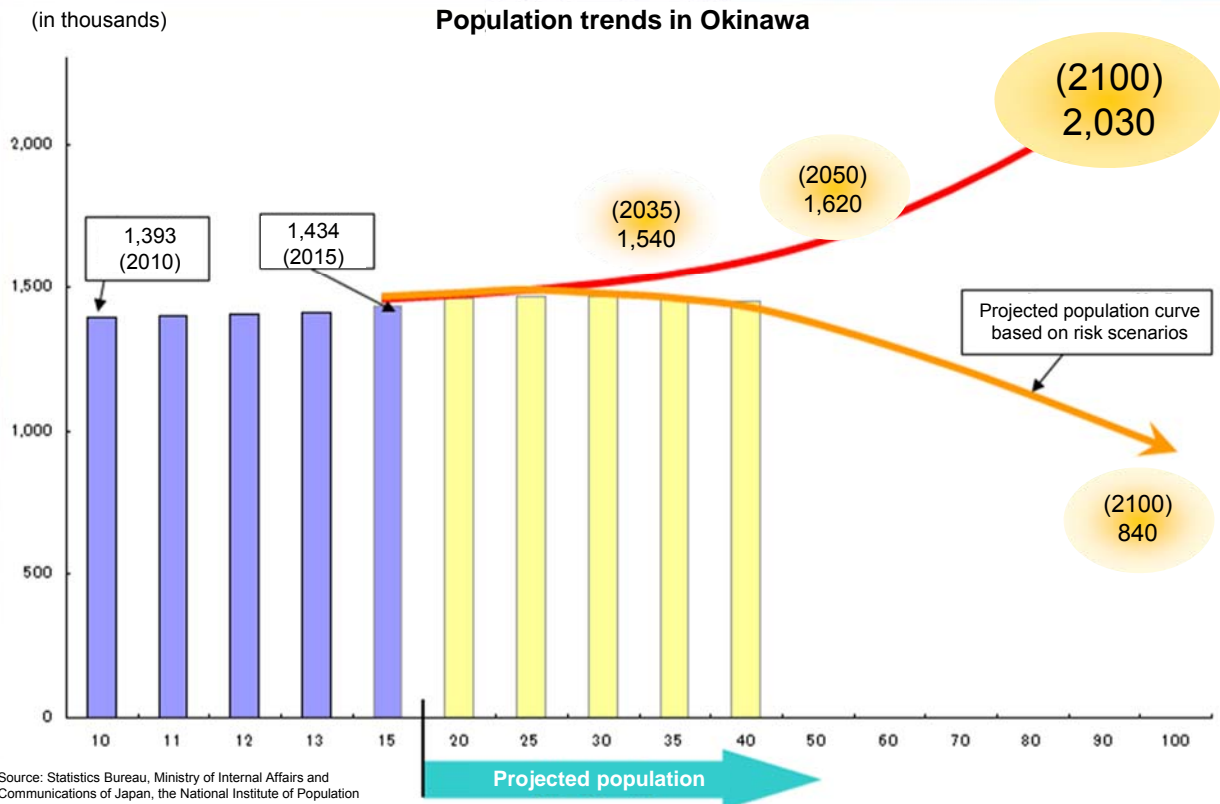
- ❖ Developing world standard global business personnel
- ❖ Personnel to create new businesses via comprehensive cooperation across industrial sectors
- ❖ Personnel with advanced technological skills

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



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.



Source: Statistics Bureau, Ministry of Internal Affairs and Communications of Japan, the National Institute of Population and Okinawa Prefecture

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

Efforts to facilitate natural increase in population

- Creation of a society that allows people to marry, give birth to 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

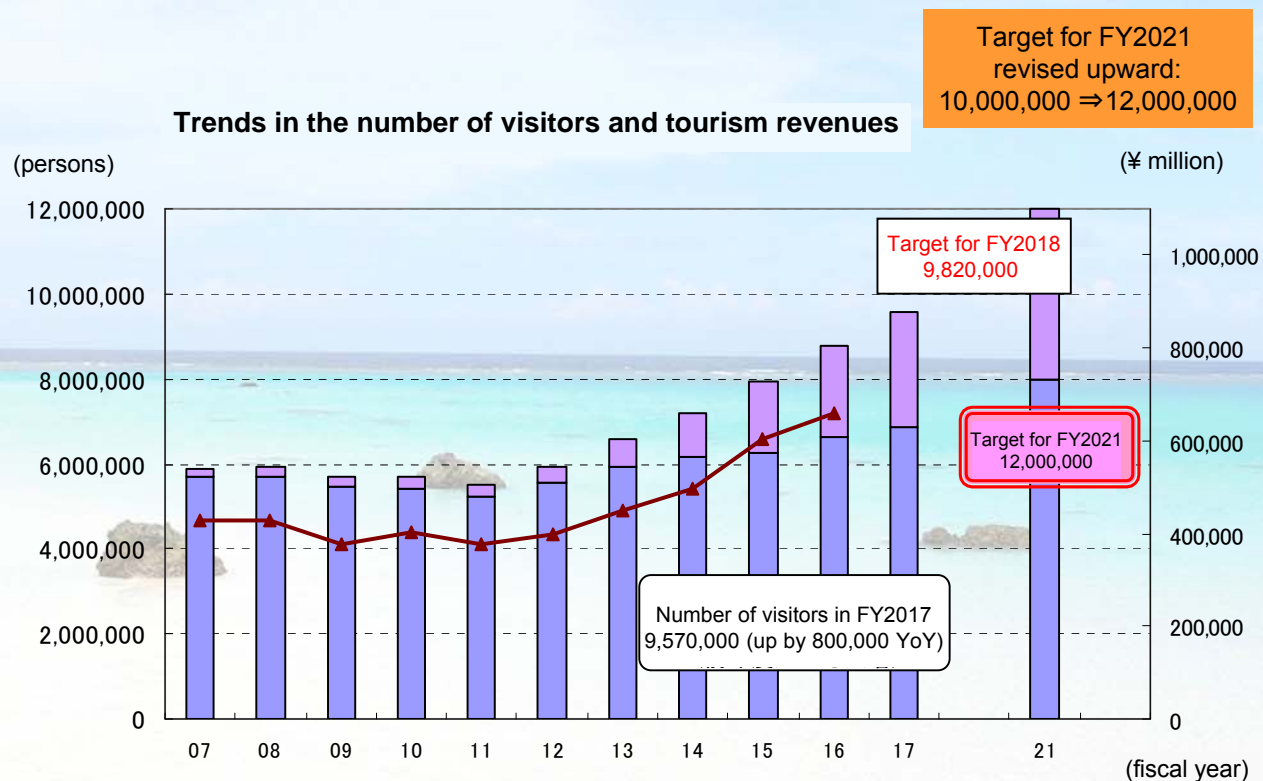
Aims to revitalize isolated islands and depopulated regions

- 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

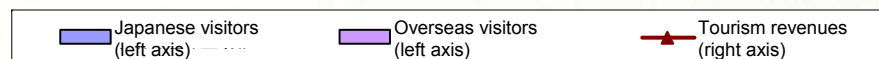


Number of Visitors to Okinawa

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



Source: "Tourism Overview," Okinawa Prefecture



Number of port calls by cruise ships in 2017: 515

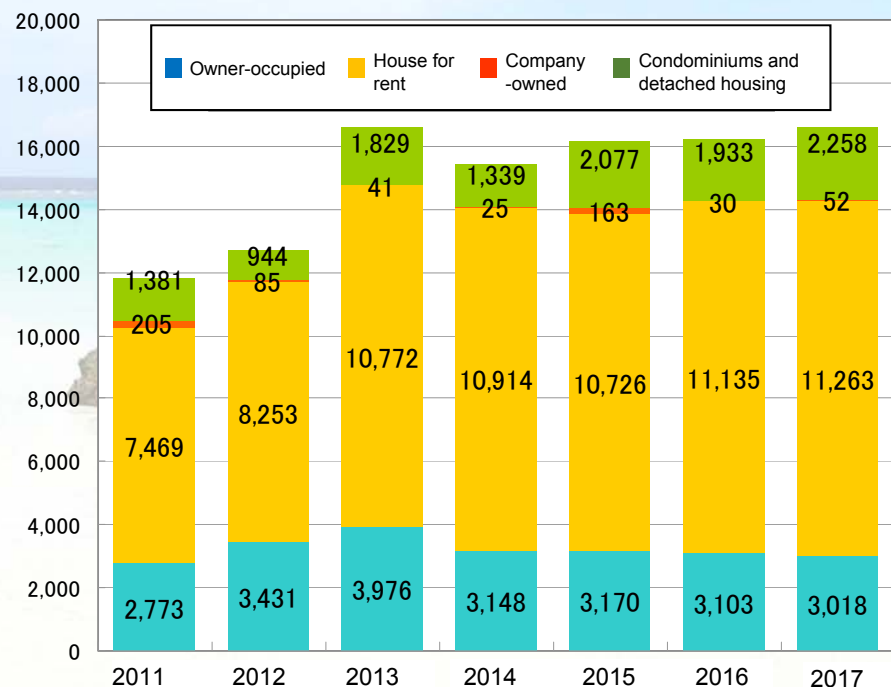
Scheduled number of port calls in 2018: **662 (up 29%)**



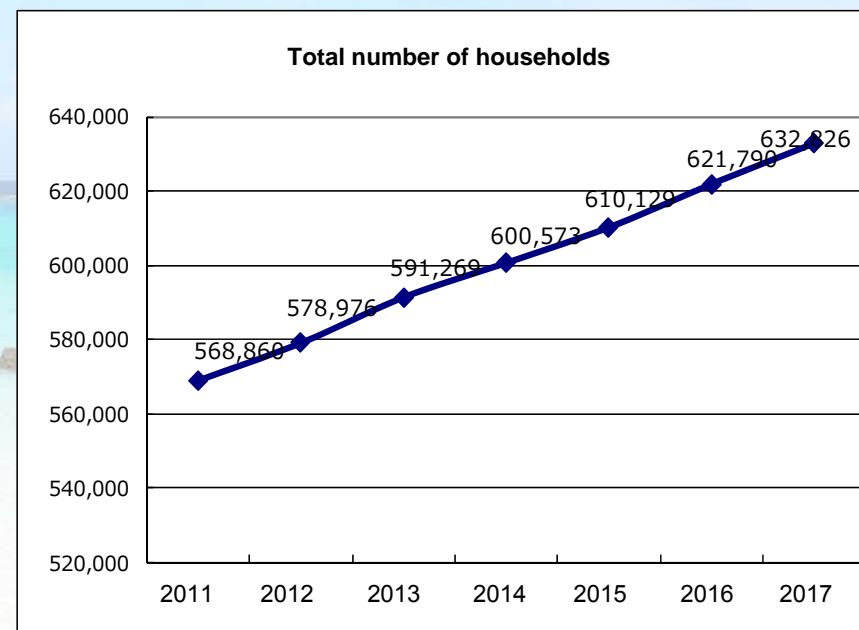
Housing Market Trends in Okinawa

- 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



Total number of households in Okinawa



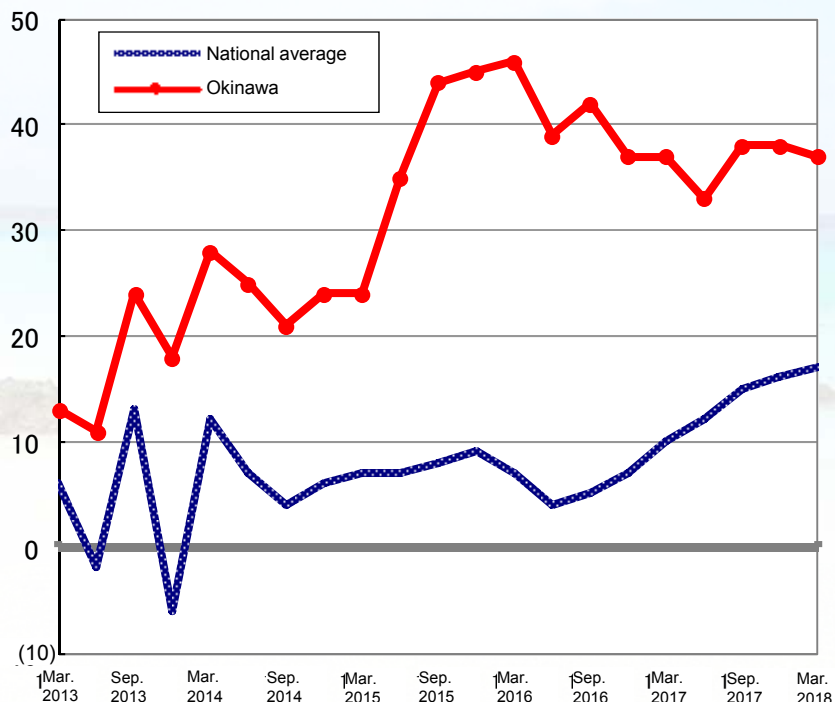
Source: Statistics Section, Planning Department, Okinawa Prefecture



Economic Trends in Okinawa 1

BOJ Tankan

BOJ Tankan Business Confidence DI



Overview

- ◆ 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.

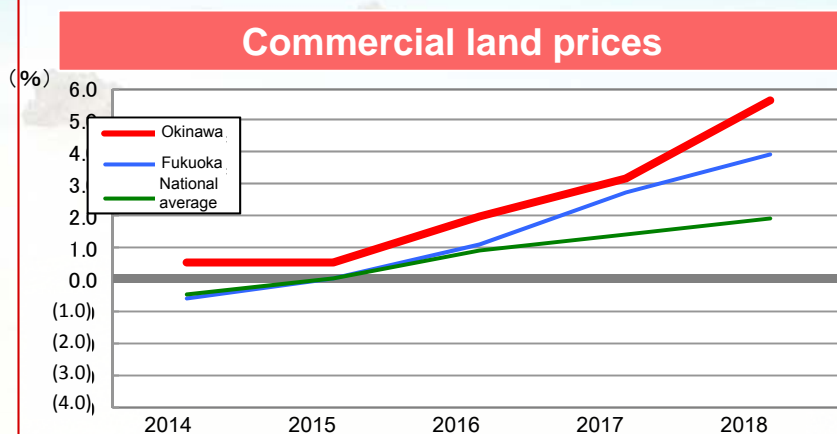
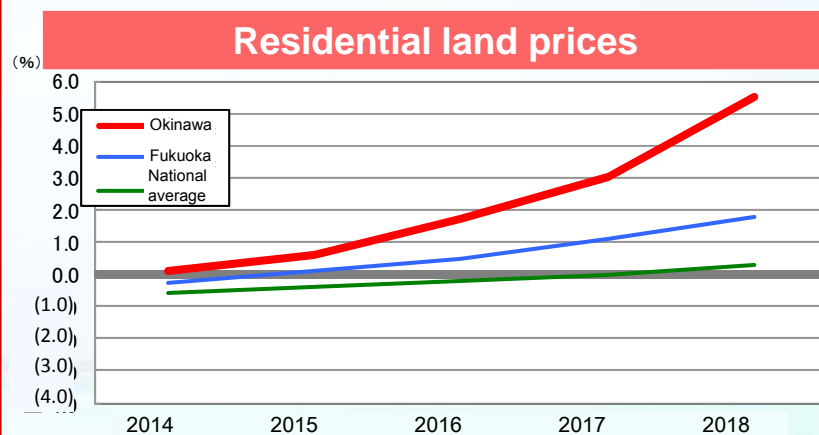
Source: BOJ Naha Branch



Economic Trends in Okinawa 2

Official land prices

Overview



◆ **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.

Source: Ministry of Land, Infrastructure, Transport and Tourism



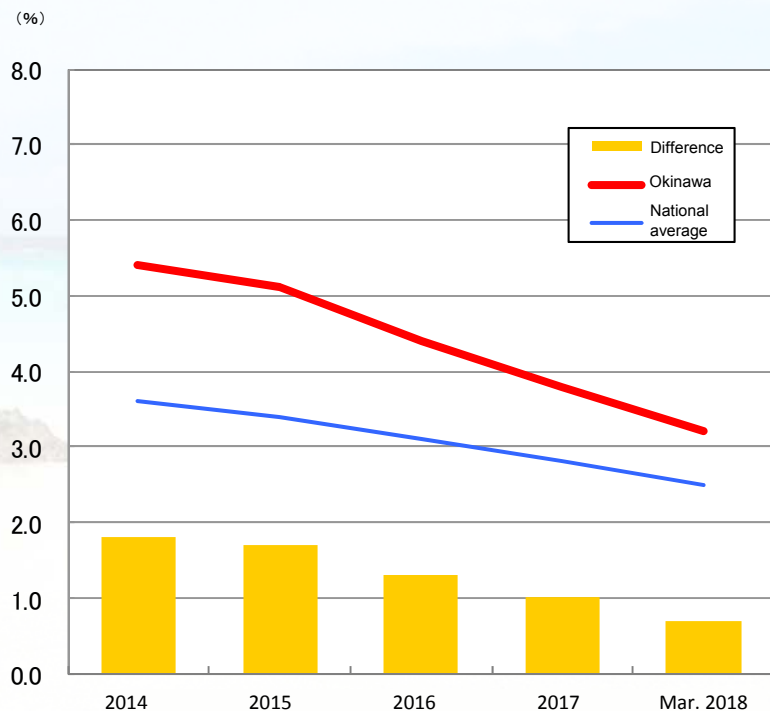
Economic Trends in Okinawa 3

Employment situation

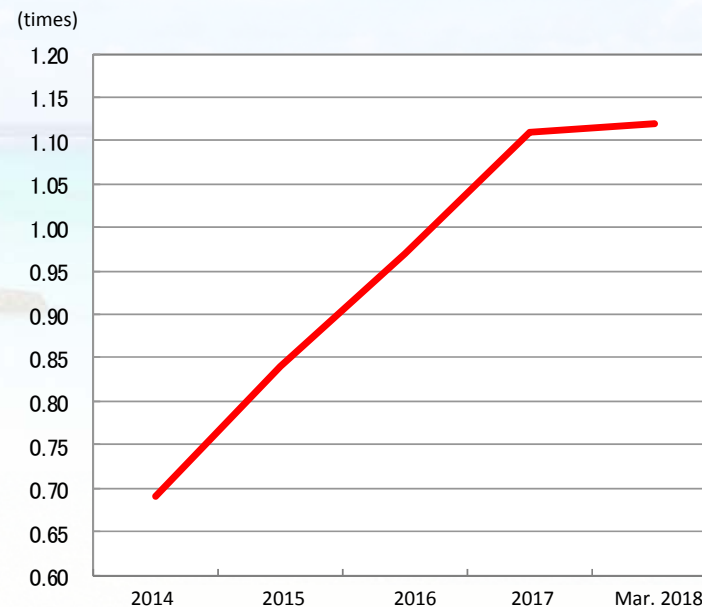
Overview

- ◆ 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.

Trends in unemployment rates



Active opening ratio



Source: Ministry of Health, Labour and Welfare, Okinawa Labour Bureau

