

The Bank of Okinawa

Results Briefing

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- The Business Environment in Okinawa
- Outline of Business Results for FY2018
- Business Strategies

PEOPLE'S BANK

 沖縄銀行

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● Participant ●

President : Masayasu Yamashiro

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



Source: Okinawa Prefecture Asian Economic Strategy Initiative

2017 Ranking of freight volume by airport

Rank	Airport	Freight volume (t)	
		Annual	Daily average
1	Narita International Airport	2,299,537	6,301
2	Tokyo International Airport	1,284,681	3,520
3	Kansai International Airport	834,485	2,287
4	Naha Airport	420,837	1,153
5	Fukuoka Airport	260,069	713
6	New Chitose Airport	203,968	559
7	Chubu Centrair International Airport	200,513	550
8	Osaka International Airport	132,883	365
9	Kagoshima Airport	29,605	82
10	New Ishigaki Airport	19,773	55

Source: Ministry of Land, Infrastructure, Transport and Tourism, Report on Management Conditions at Airports

Profile of Okinawa Prefecture

Rate of change in population

Rank	Prefecture	Rate of change (%)
1	Tokyo	7.2
2	Okinawa	3.1
3	Saitama	2.8
4	Kanagawa	2.0
5	Aichi	1.6
6	Chiba	1.4
7	Fukuoka	0.1
8	Shiga	-0.1
9	Osaka	-1.2
10	Kyoto	-2.4
National average		-2.1

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

Youth population index

Rank	Prefecture	Index (%)
1	Okinawa	27.8
2	Miyazaki	24.4
3	Saga	24.1
4	Kagoshima	24.1
5	Kumamoto	23.9
6	Shiga	23.1
7	Nagasaki	23.0
8	Shimane	22.9
9	Tottori	22.7
10	Fukui	22.4
National average		20.4

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

Number of hotel rooms

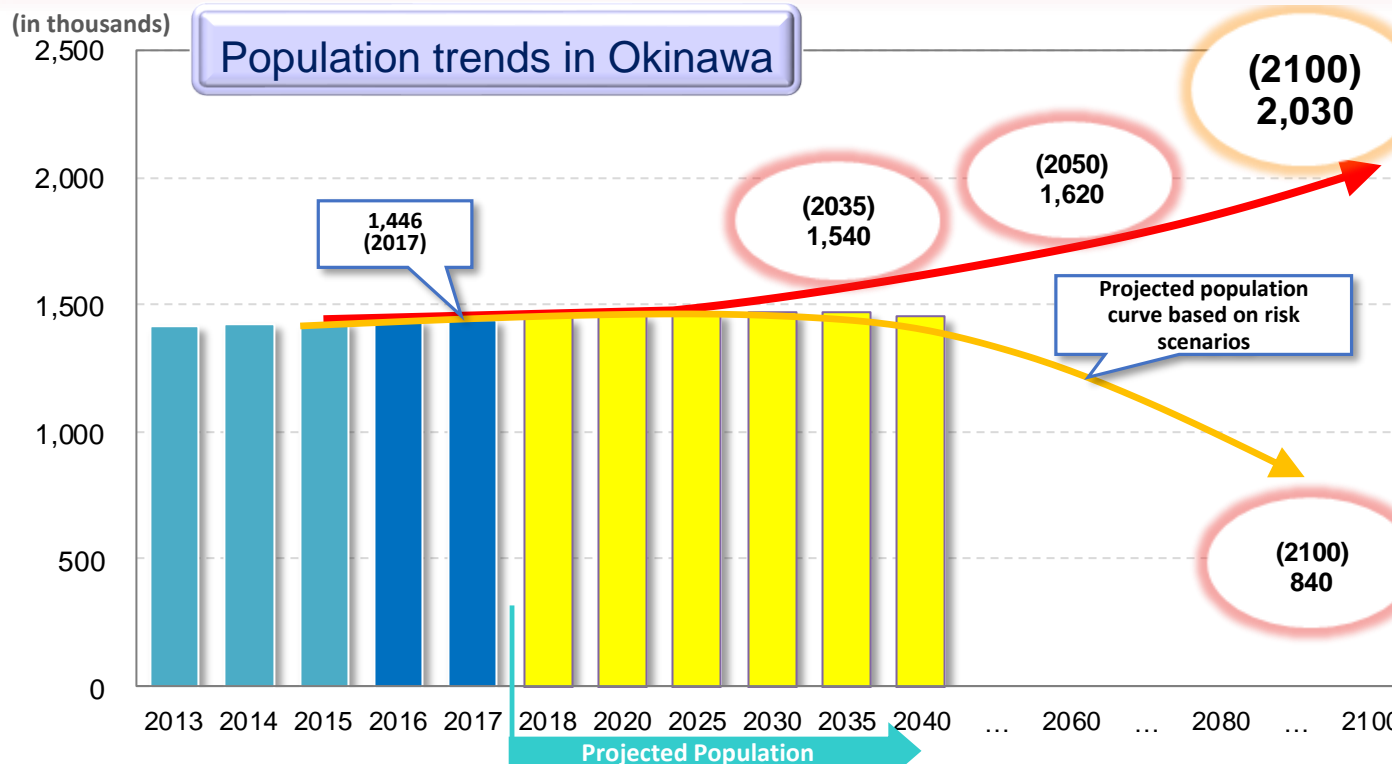
Rank	Prefecture	Number of hotel rooms (Number of rooms)
1	Tokyo	110,641
2	Osaka	71,193
3	Hokkaido	66,817
4	Fukuoka	42,470
5	Okinawa	35,823
6	Chiba	33,706
7	Kanagawa	32,600
8	Shizuoka	29,752
9	Hyogo	29,578
10	Aichi	28,769
Nationwide Total		907,500

Source: Ministry of Health, Labour and Welfare, Report on Public Health Administration and Services

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



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

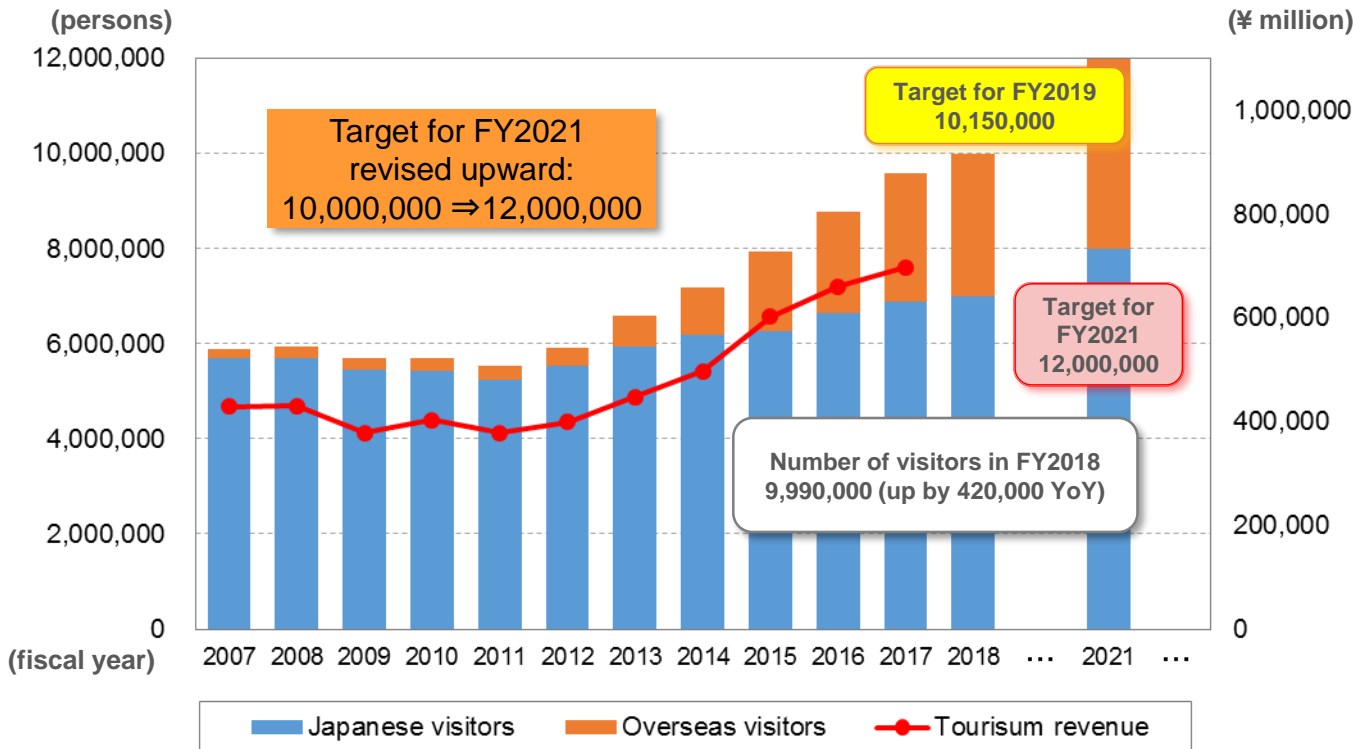
- Improvement of conditions for long-term residence
- Industrial development by demonstrating attractive regional characteristics

Number of Visitors to Okinawa

FY2018 marked a record 9.99 million tourists visiting Okinawa

The number of overseas tourists was 3.00 million (up 11.5% YoY), renewing a record high

Trends in the number of visitors and tourism revenues



Source: "Tourism Overview," Okinawa Prefecture



Number of visitors to Ocean Expo Park
5 million



Number of visitors to Shurijo Castle Park
2.85 million

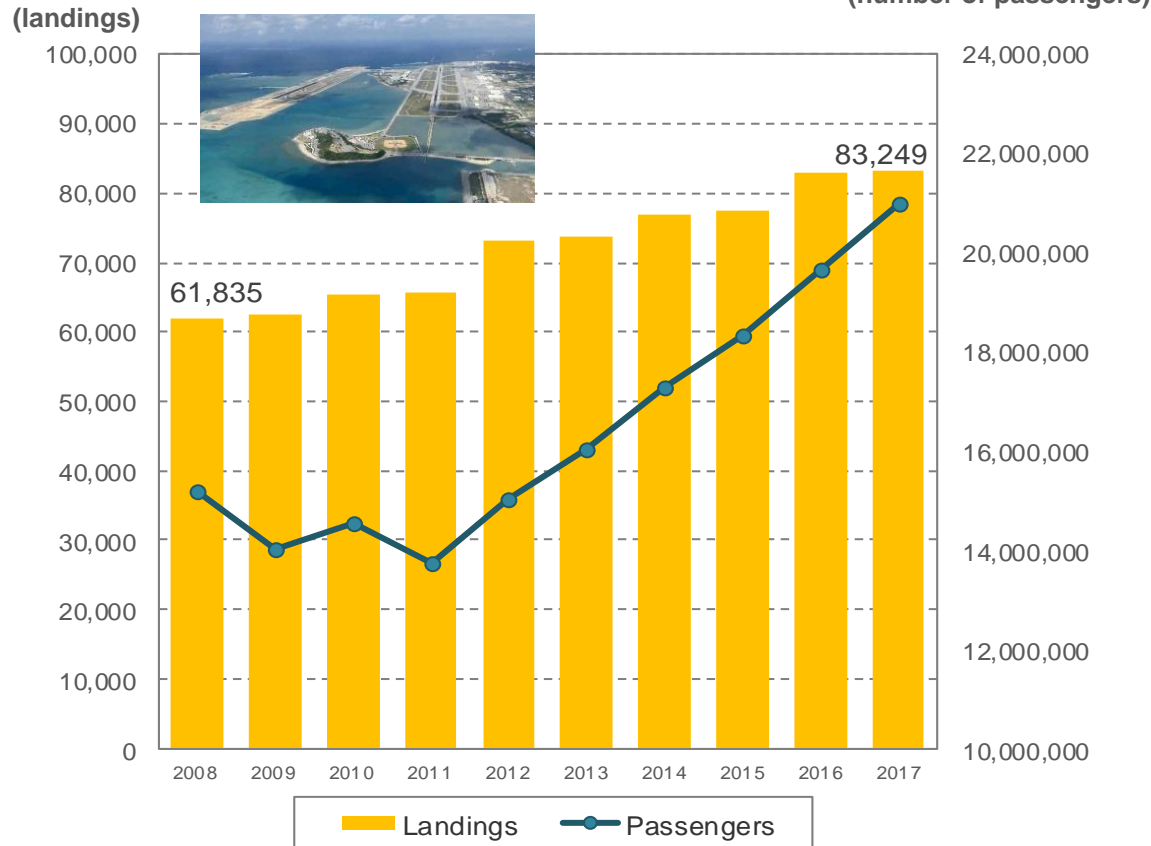
Number of Visitors to Okinawa (Airport)

Number of landings at Naha Airport: 83,249

Ranked 5th among airports nationwide

Landings are expected to increase with the opening of the second runway at Naha Airport

Statistics of Naha Airport



Number of landings (international and domestic)

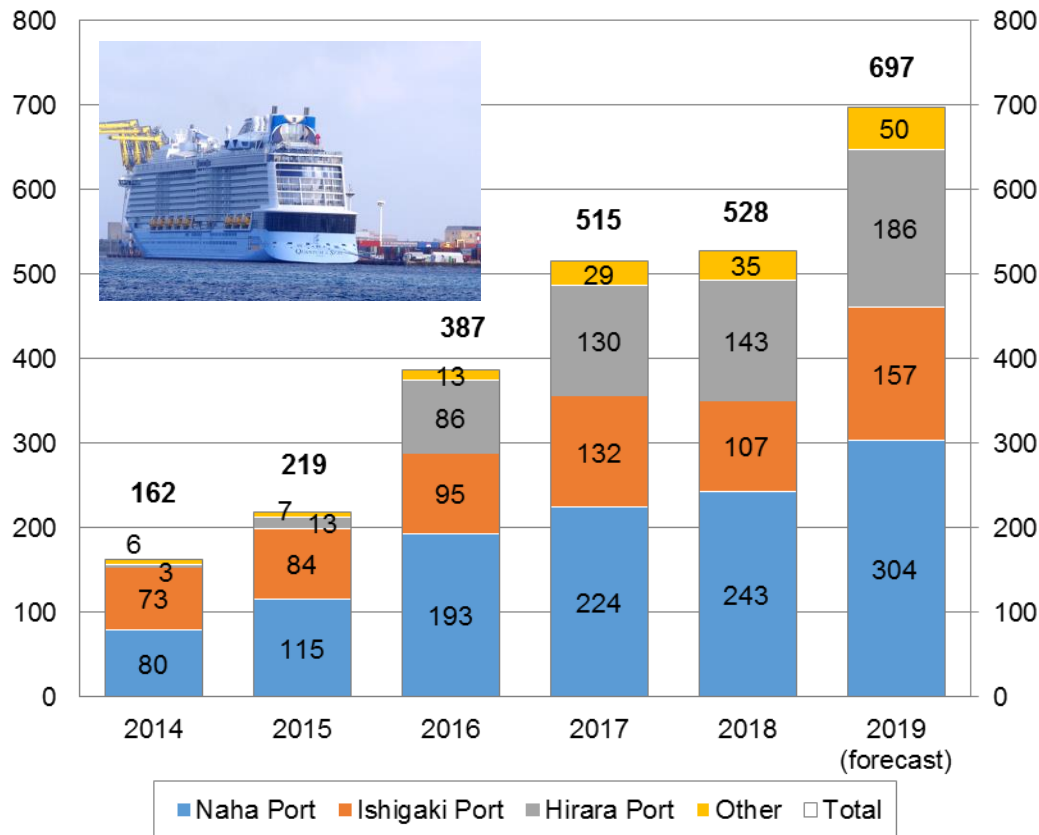
Rank	Airport	Number of landings
1	Tokyo International Airport	226,563
2	Narita International Airport	126,470
3	Kansai International Airport	92,588
4	Fukuoka Airport	89,094
5	Naha Airport	83,249
6	New Chitose Airport	75,310
7	Osaka International Airport	69,228
8	Chubu Centrair International Airport	50,646
9	Kagoshima Airport	33,421
10	Sendai Airport	25,768

Number of Visitors to Okinawa (Port)

The number of cruise ships making port calls renewed a record high, and is expected to exceed past records again this year with 697 port calls scheduled

Ranked No. 1 among prefectures nationwide

Cruise ships making port calls in Okinawa



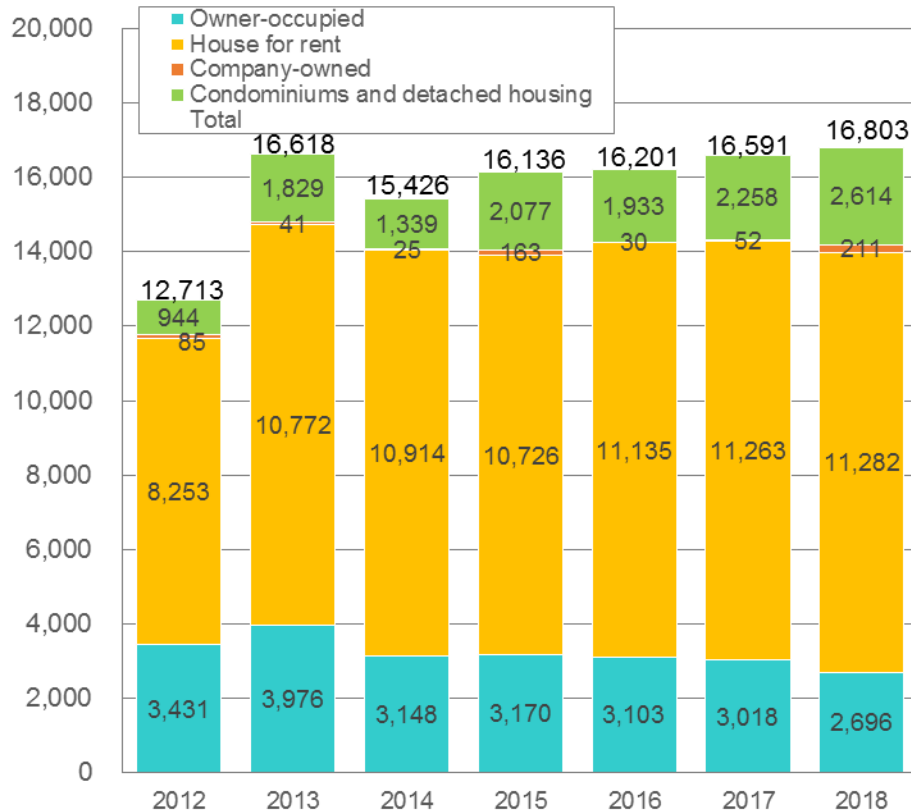
Number of port calls by cruise ships

Rank	Port	Port calls
1	Hakata Port	279
2	Naha Port	243
3	Nagasaki Port	220
4	Yokohama Port	168
5	Hirara Port	143
6	Kobe Port	135
7	Bella Vista Marina (Hiroshima)	122
8	Sasebo Port	108
9	Ishigaki Port	107
10	Kagoshima Port	100

Housing Market Trends in Okinawa

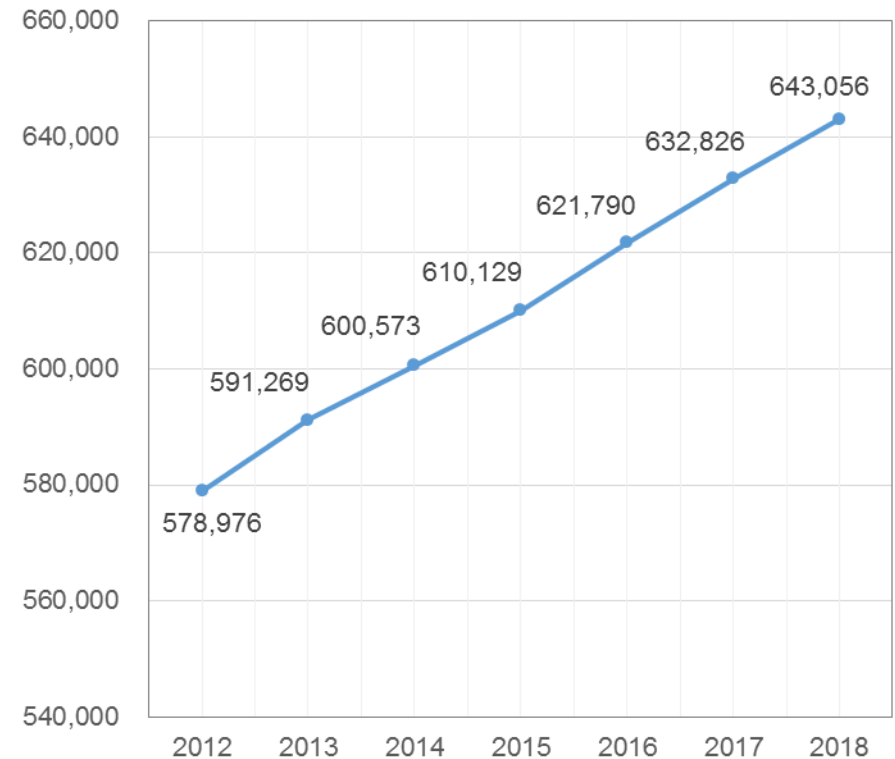
- Housing market in Okinawa remains strong
- According to the national census 2015, growth rate of population and number of households are both the highest in Japan

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

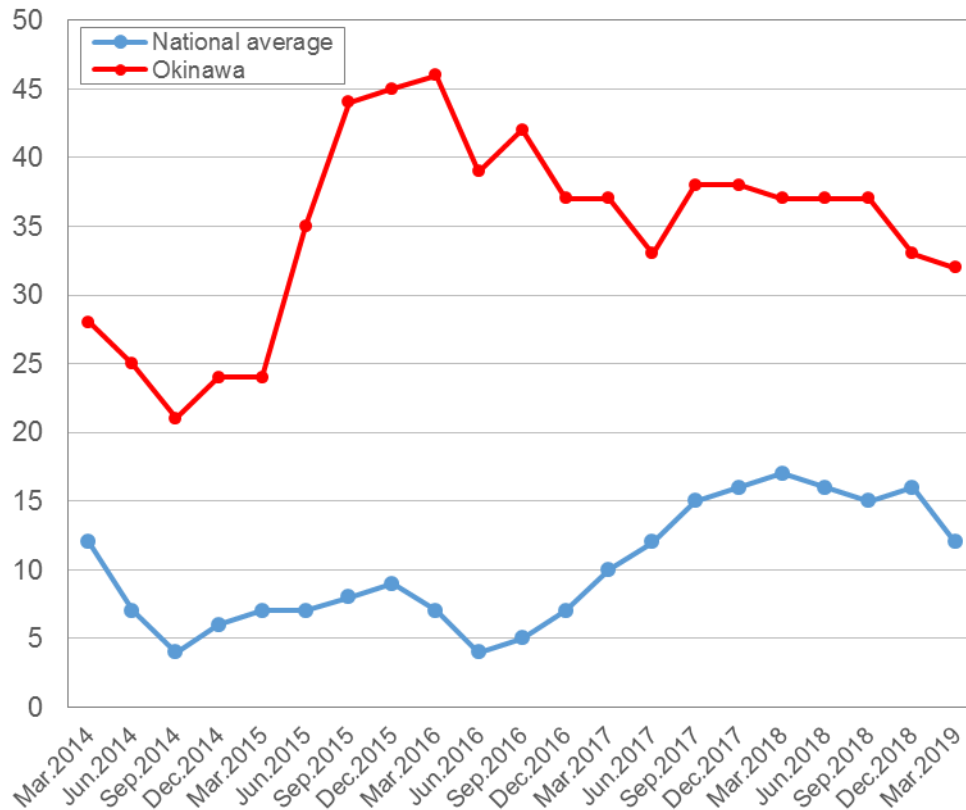


Source: Okinawa Prefectural Government, Department of Planning, Municipal Administration Division

Economic Trends in Okinawa (1)

BOJ Tankan

BOJ Tankan Business Confidence DI



Source: BOJ Naha Branch

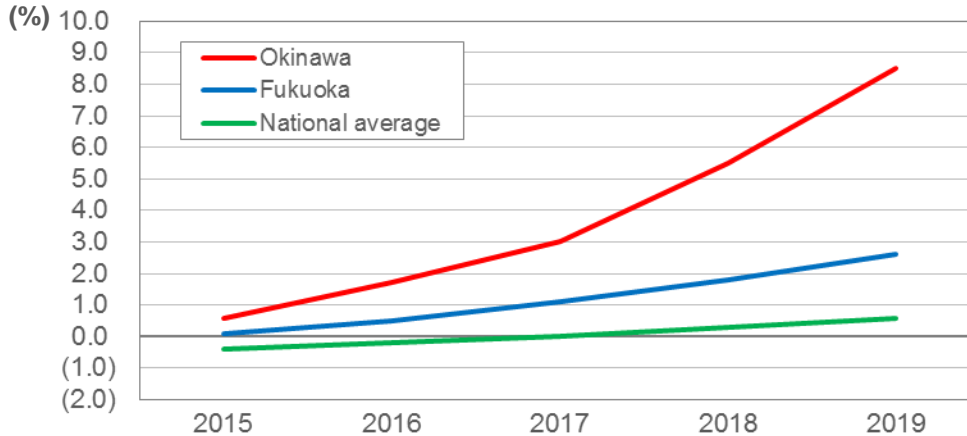
Overview

- ◆ 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, and the number of both foreign and domestic visitors has increased year on year.
- ◆ In **construction-related terms**, performance is solid. Capital investment is increasing and residential investment is trending at high levels.
- ◆ In terms of **employment and earnings trends**, there is improvement.

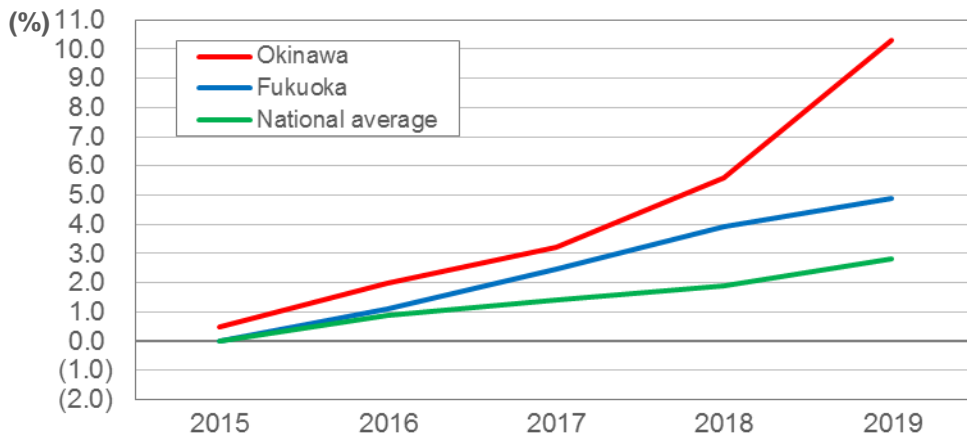
Economic Trends in Okinawa (2)

Official land prices

Residential land prices



Commercial land prices



Overview

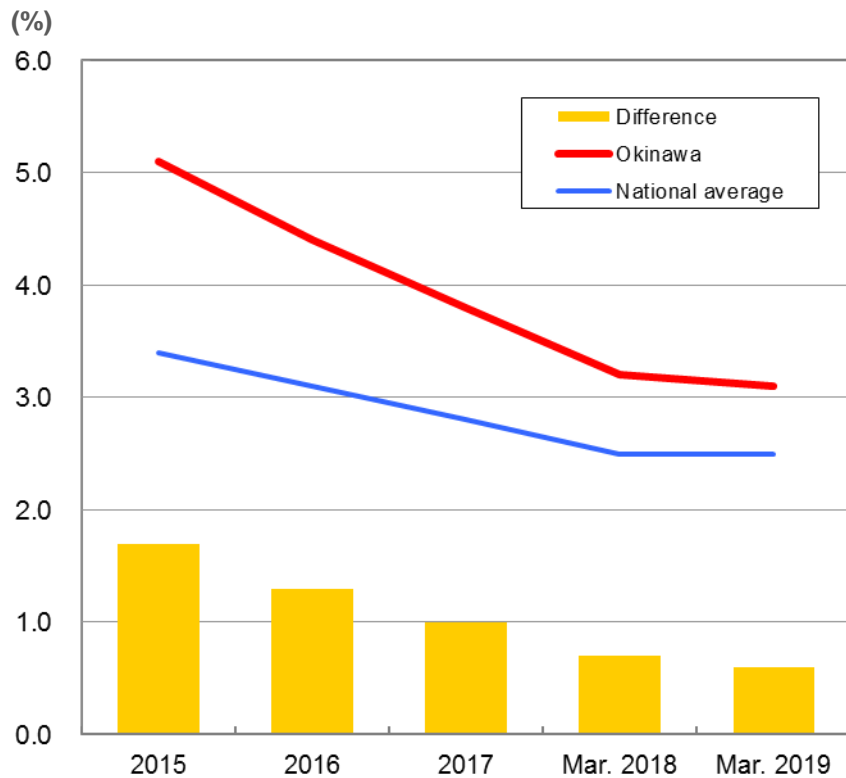
◆ **Average residential land prices in Okinawa increased by 8.5%, after increasing 5.5% in the previous year** and continue to trend upward. Demand for residential land is rising due to an increasing population and economic expansion in the prefecture. In particular, in Naha, the Shintoshin area, the adjacent Makabi area, and other land under land readjustment programs are becoming high in rarity as they are very popular and there is little vacant land owing to its convenience and good environmental conditions.

◆ **Average commercial land prices in Okinawa increased by 10.3%, after increasing 5.6% in the previous year** and continue to trend upward. The main reason for rising land prices is increasing demand in urban areas in central Naha, including new hotel openings and new redevelopments resulting from an increase in the number of visitors to Okinawa.

Economic Trends in Okinawa (3)

Employment situation

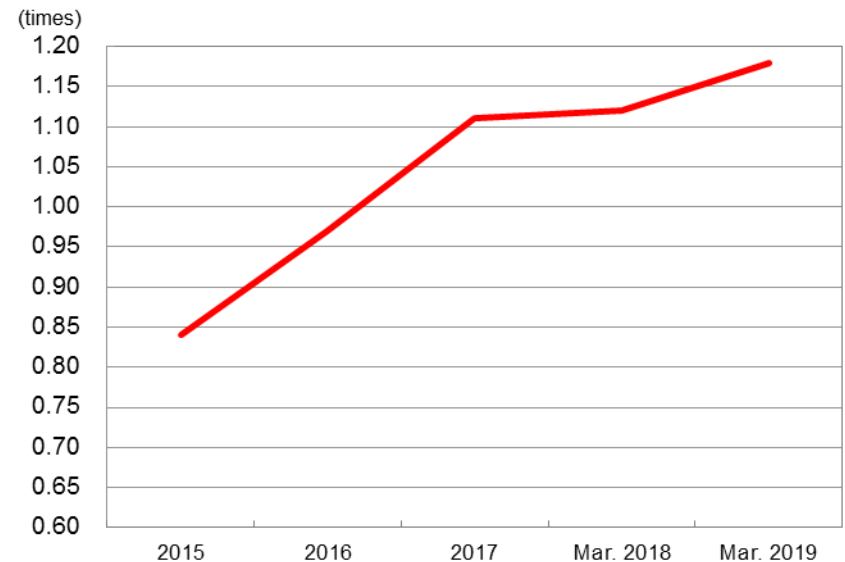
Trends in unemployment rates



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.

Active opening ratio



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

Outline of Business Results for FY2018

Performance Highlights for 2018

The Okigin Group recorded net income attributable to owners of the parent of ¥7.1 billion

Ordinary income increased due to increases in interest on loans and gains on sale of securities, despite a decrease in interest and dividends on securities (increased revenues)

Business profit on core banking operations increased mainly due to an increase in gains on foreign exchange transactions despite a decrease in fees and commissions (increased earnings)

FY2019 Business Performance Forecast

(¥ billion)	Consolidated	Non-consolidated
Ordinary Income	49.5	33.9
Ordinary Profit	7.8	6.6
Net Income	5.2	4.7

* Net income is net income attributable to owners of the parent

FY2019 Shareholder Returns

Based on our dividend policy, we have set a target of 30% of net income for the fiscal year for the total amount of shareholder returns.

Outline of Results

[Consolidated]	FY17	FY18	YoY change
Ordinary income	52.8	53.5	0.6
Ordinary profit	10.1	10.5	0.4
Net income (*)	6.8	7.1	0.3
* Net income is net income attributable to owners of the parent			
[Non-consolidated]	FY17	FY18	YoY change
Ordinary income	38.4	39.0	0.5
Gross business profit	27.8	28.7	0.8
Interest income	27.4	27.3	0.0
Fees and commissions	2.0	1.9	(0.1)
Other business profit	(1.6)	(0.6)	1.0
Expenses (excluding non-recurrent items)	21.2	21.2	0.0
Personnel expenses	9.4	9.4	0.0
Non-personnel expenses	10.3	10.2	0.0
Business profit on core banking operations	8.1	8.2	0.1
Provision of general allowance for possible loan losses	0.0	0.0	0.0
Net business profit	6.5	7.4	0.8
Non-recurrent items	2.2	2.1	(0.1)
Recoveries of written-off claims	0.3	0.2	(0.1)
Net gains (losses) on equity securities	1.7	1.9	0.1
Bad debt disposal	0.2	0.3	0.1
Ordinary profit	8.8	9.5	0.7
Extraordinary gains (losses)	0.0	0.0	0.0
Income before income taxes	8.8	9.4	0.6
Total income taxes and other taxes	2.6	2.6	0.0
Net income	6.2	6.8	0.6

[Non-consolidated] Comparison with Forecas	Target	FY18	Difference
Ordinary income	35.0	39.0	4.0
Business profit on core banking operations	7.4	8.2	0.8
Net business profit	7.3	7.4	0.1
Ordinary profit	7.4	9.5	2.1
Net income	5.1	6.8	1.7

Business performance points (Non-consolidated)

Ordinary income

Increased by ¥0.5 billion year on year to ¥39.0 billion due to increases in interest on loans, gains on sale of securities, and other interest income (increased revenues)

Business profit on core banking operations

Increased ¥0.1 billion year on year due to an increase in gains on foreign exchange transactions, despite a decrease in fees and commissions

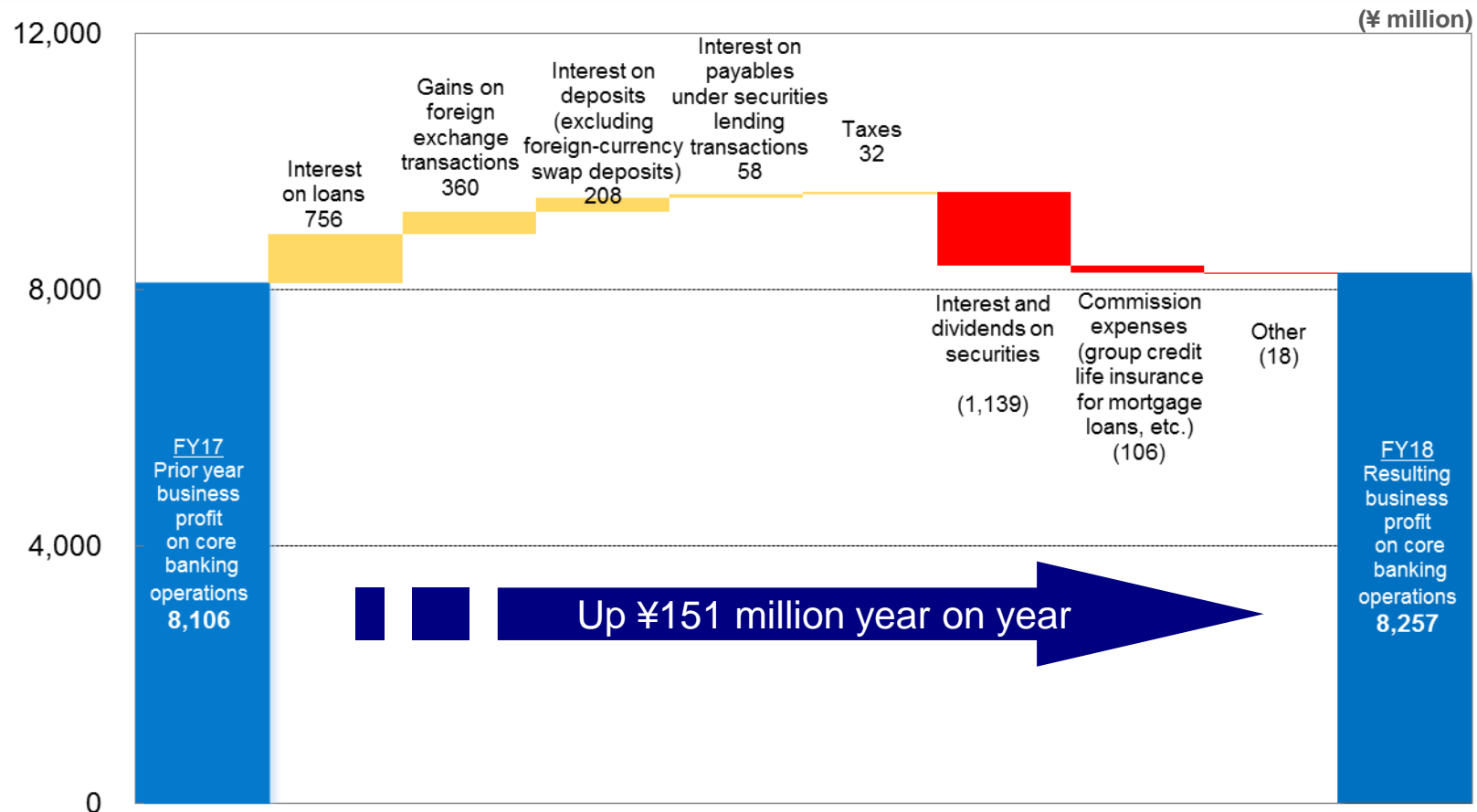
Ordinary profit

Increased ¥0.7 billion year on year to ¥9.5 billion due to an increase in gains (losses) on securities, despite a decrease in recoveries of written-off claims and an increase in credit cost

Both revenues and earnings increased due to the above factors.

Changes in Business Profit on Core Banking Operations

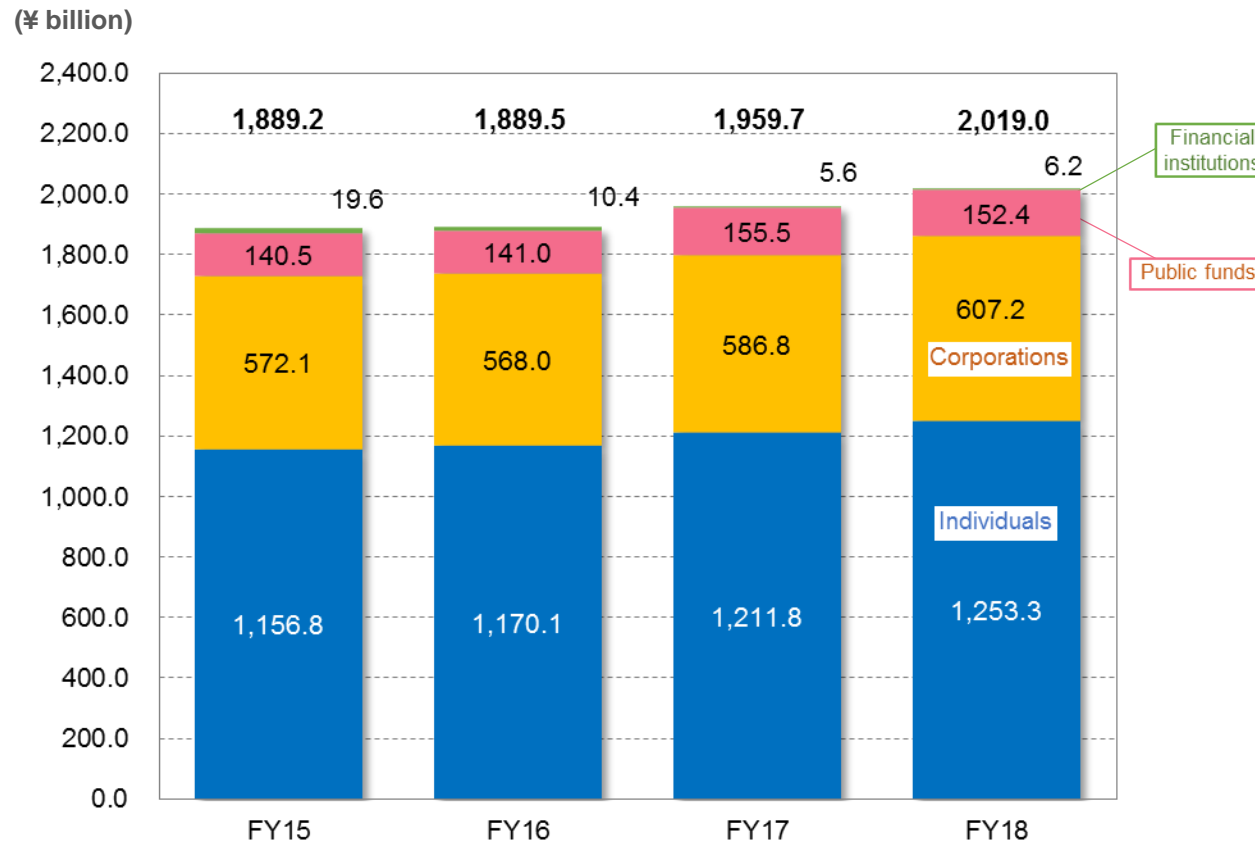
Business profit on core banking operations increased by ¥151 million year on year, mainly due to an increase in interest on loans, despite a decrease in interest and dividends on securities



Deposits (Average Balance)

Total deposits rose by ¥59.3 billion to ¥2,019.0 billion

Deposits by individuals rose by ¥41.5 billion and deposits by corporations rose by ¥20.4 billion



Deposits by individuals

Increased liquidity in deposits due to continued efforts for opening of new salary payment and pension accounts

Deposits by corporations

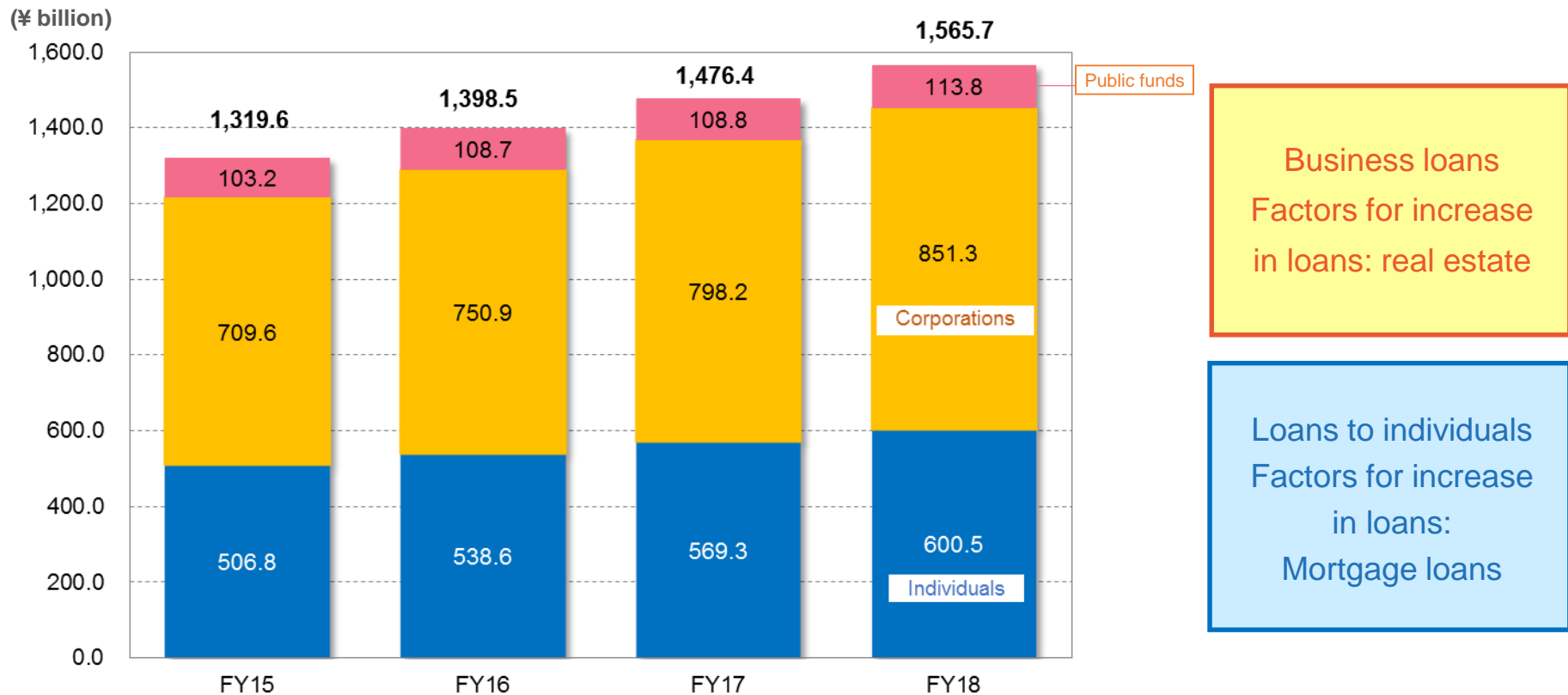
Increased liquidity in deposits due to enhanced function to trace funds by “Strong Relations Plan”

* Including trust accounts

Loans (Average Balance)

Loans to corporations rose by ¥53.1 billion, loans to individuals rose by ¥31.2 billion

Total loans and bills discounted rose by ¥89.3 billion (+6.0%) to ¥1,565.7 billion

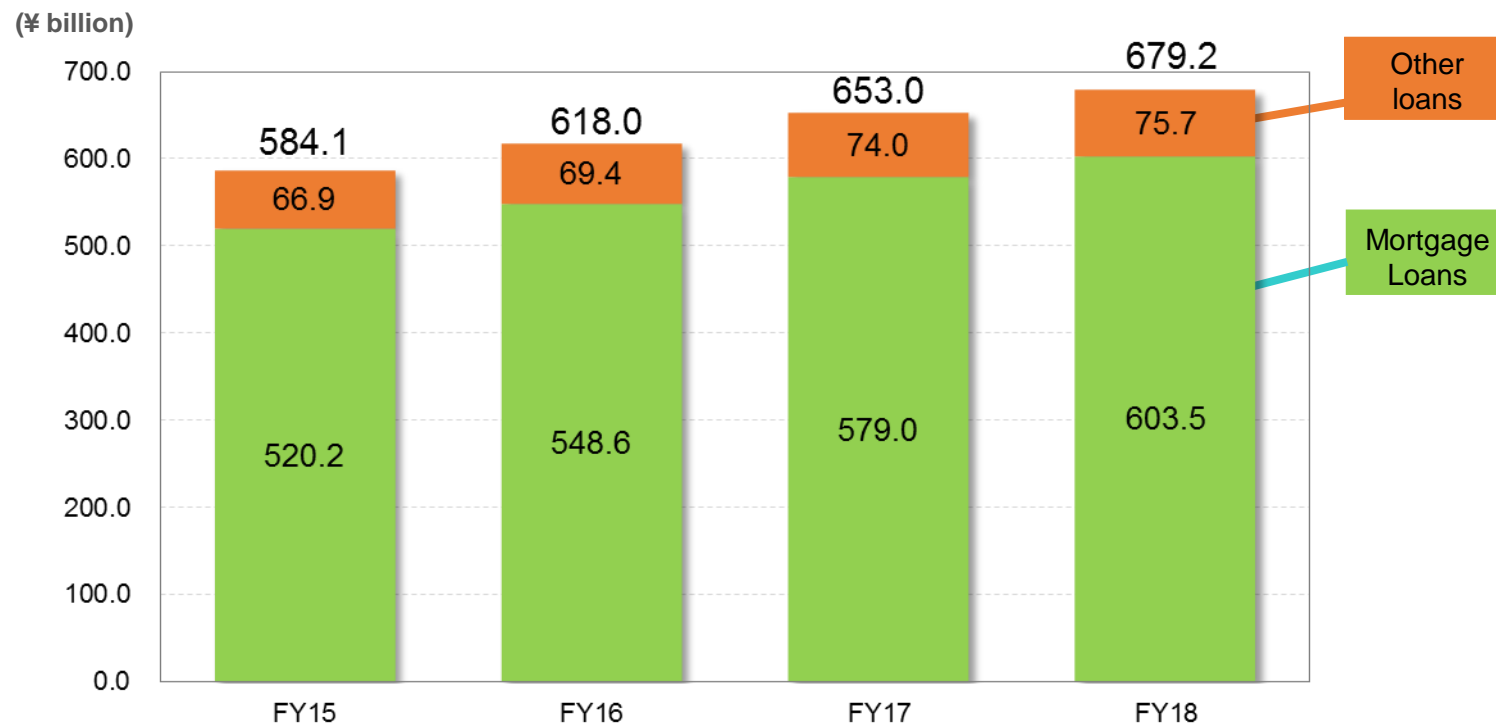


* Including trust accounts

Consumer Loans (Term-End Balance)

Mortgage loans rose by ¥24.5 billion, other loans rose by ¥1.7 billion

Consumer loans rose by ¥26.2 billion (+4.02%) year on year to ¥679.2 billion



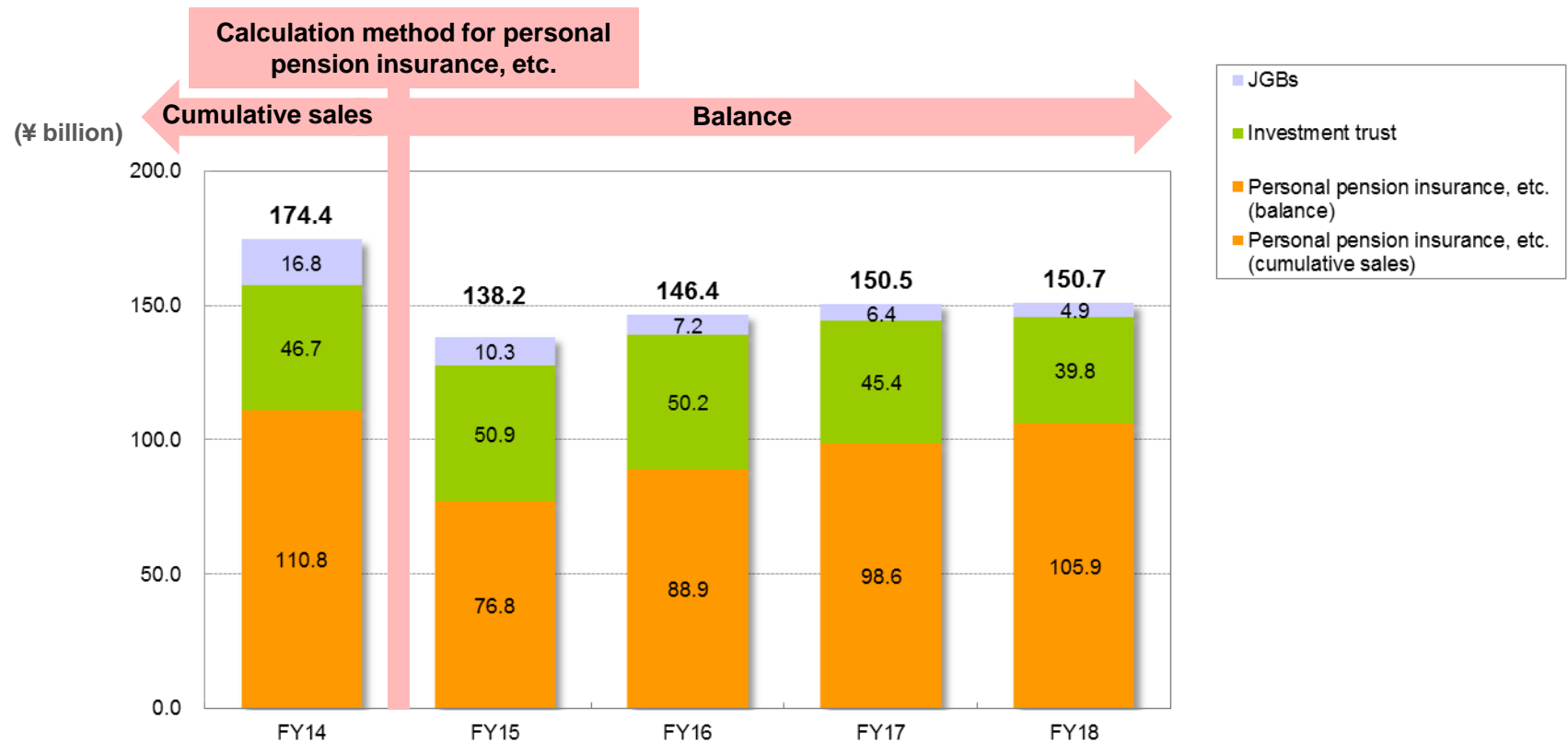
* Including trust accounts

* Consumer loans: Loans provided as funds closely tied to customer lifestyles. Typically referred to as personal loans or consumer loans

Assets in Custody

Assets in custody as a whole increased by ¥0.2 billion due to an increase of ¥7.3 billion in personal pension insurance, etc., despite decreases in investment trusts and Japanese government bonds (JGBs)

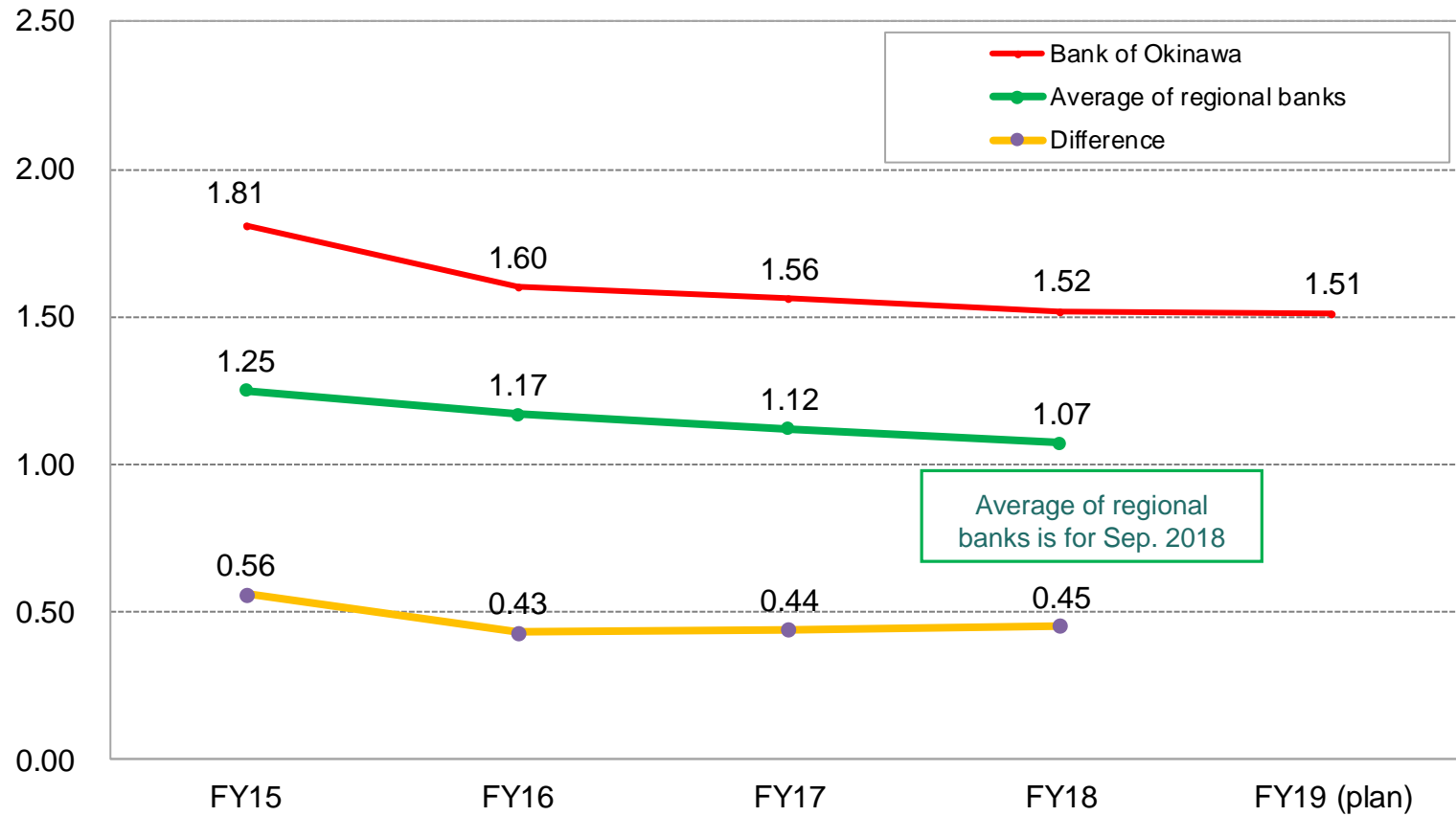
Contributing to asset creation by providing high-quality services to customers (implementing the Okigin Fiduciary Duty Basic Policy)



* Figures shown for FY2014 and prior are cumulative sales amounts, and for FY2015 and later are balances.

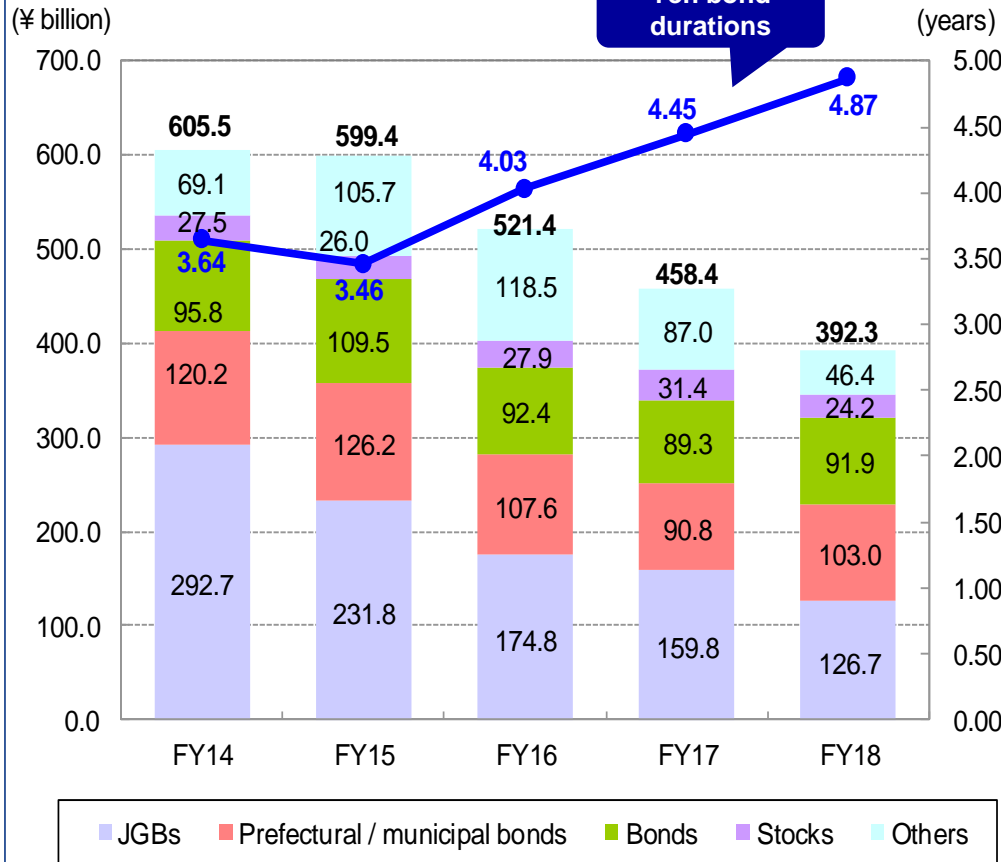
Loan / Deposit Spreads (Domestic)

Loan / Deposit Spreads with Regional Bank Averages



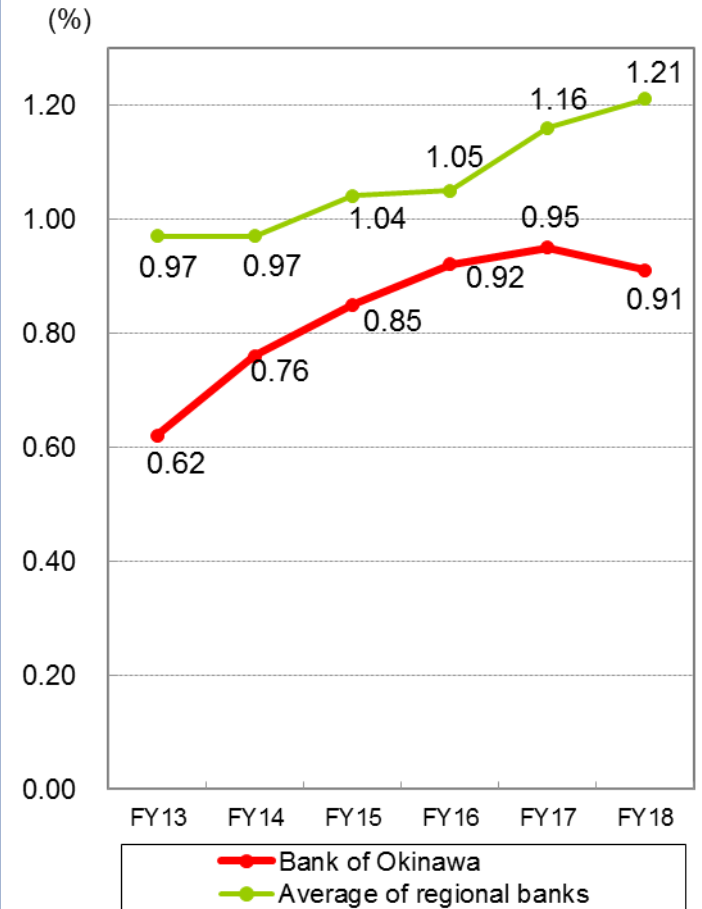
Securities (Term-End Balance)

Term-end balance and Yen bond durations



* The value of duration includes floating rate JGBs

Yield on securities

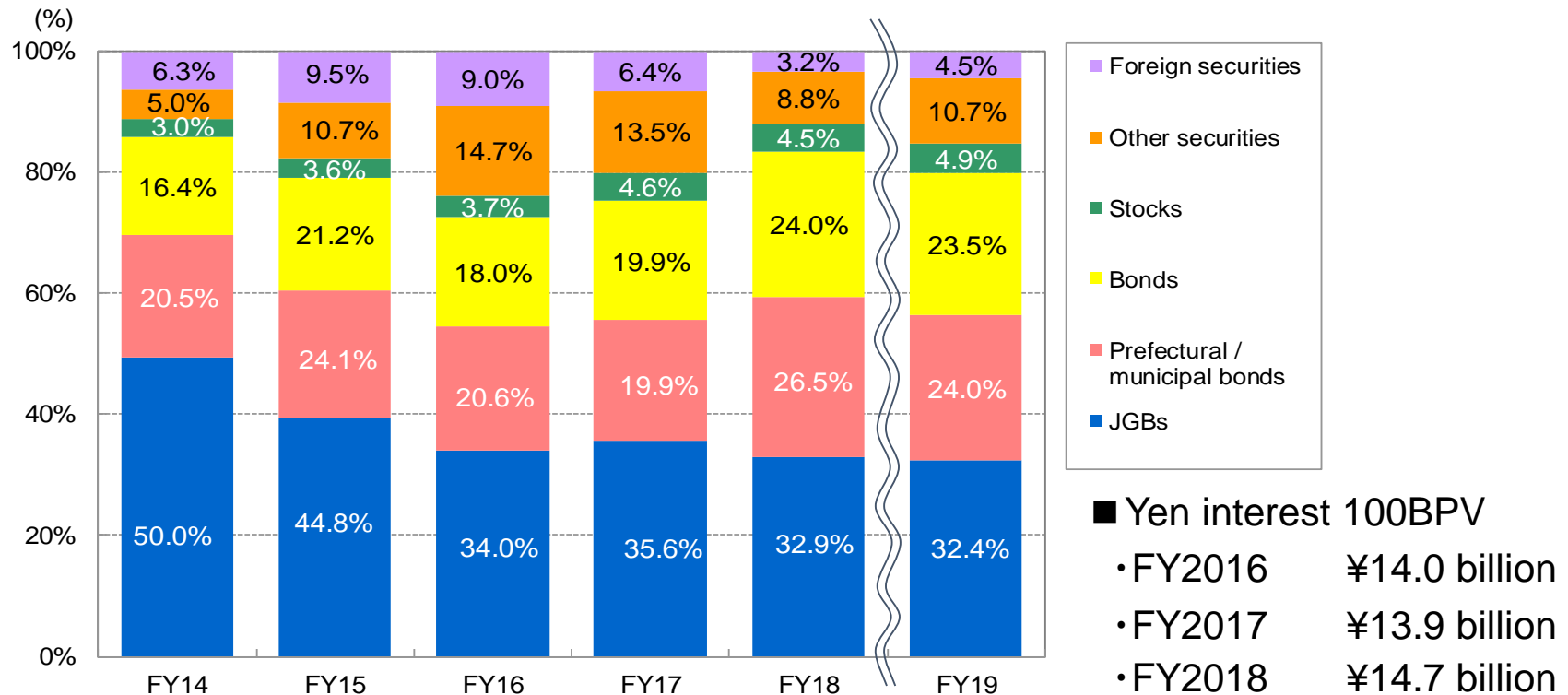


* Average of regional banks in FY18 is average of regional banks for Sep. 2018.

Securities Allocation

Continuation of rebalancing from yen bond holdings (such as JGBs)

Securities composition percentage (acquisition cost at term-end)

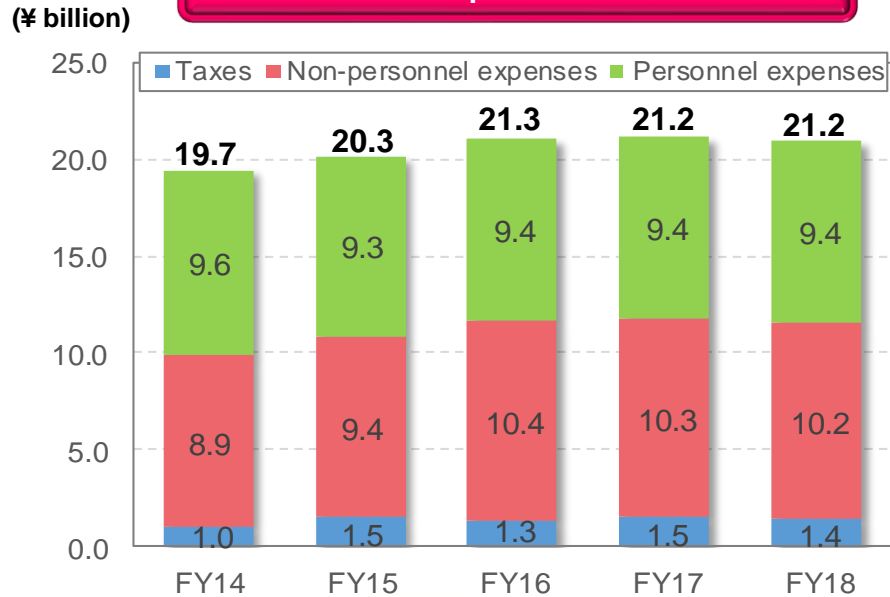


Expenses

Slight decrease in expenses due to decrease in non-personnel expenses (down ¥6 million YoY)

Core OHR was 72.0%, down 0.4 points due to factors such as an increase in gross business profit on core banking operations

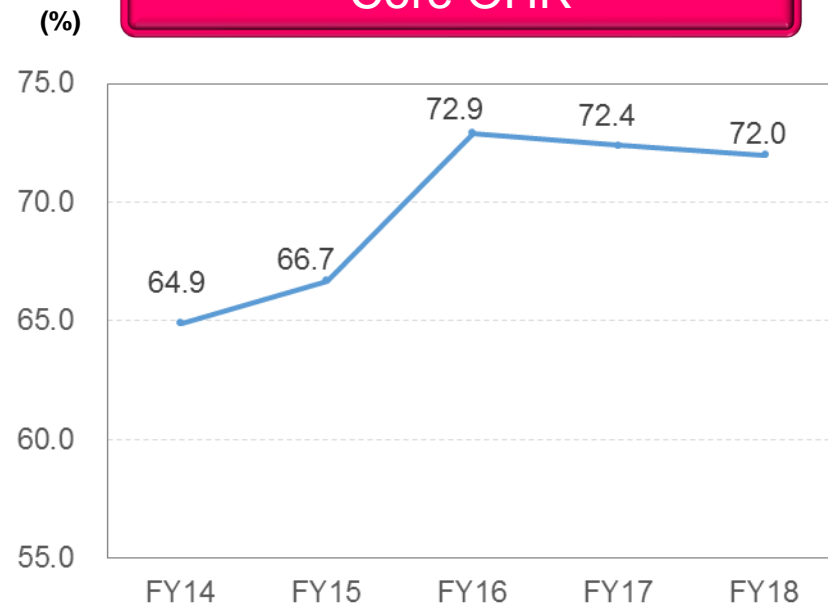
Expenses



Personnel expenses were unchanged

Decrease in depreciation and amortization expenses
Decrease in operations consignment expenses
Overall non-personnel expenses were flat

Core OHR



Increase in consumption tax, etc.
Overall taxes were flat

Capital Ratio

Capital ratio (domestic standard) at 9.97%

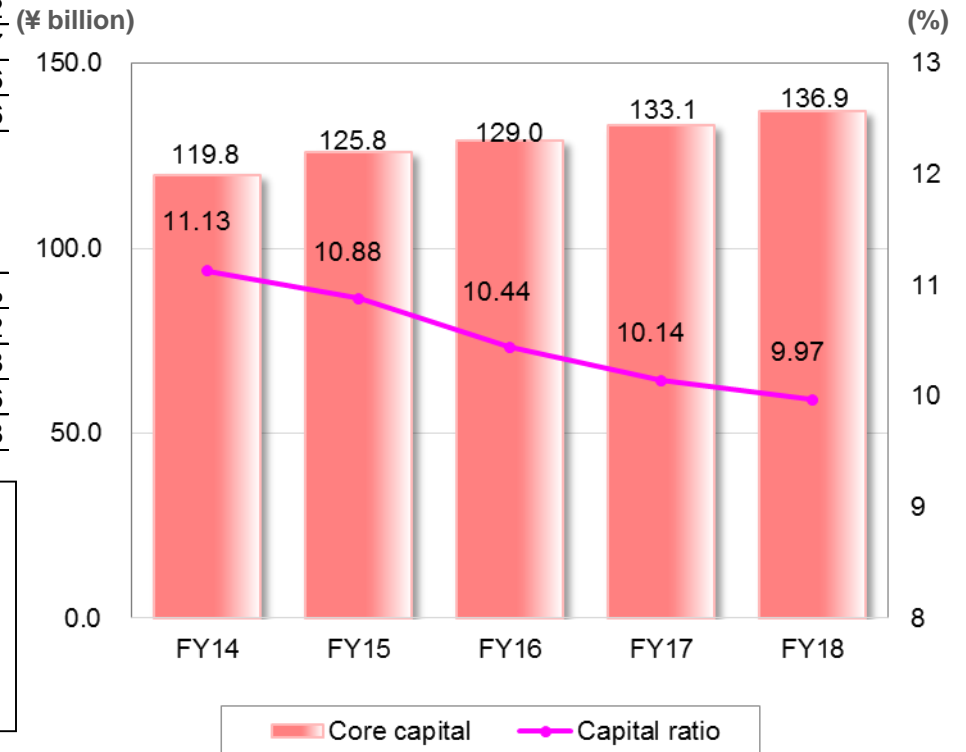
Although the capital ratio declined due to an increase in loans, soundness has been secured

[Consolidated]	FY17	FY18	(¥ million, %) YoY change
Capital ratio	10.80%	10.59%	(0.21)%
Capital	144,509	148,401	3,892
Basic elements of core capital	145,697	149,884	4,187
Adjustments to core capital	1,187	1,483	296
Risk-weighted assets	1,337,968	1,400,164	62,196

[Non-consolidated]	FY17	FY18	YoY change
Capital ratio	10.14%	9.97%	(0.17)%
Capital	133,193	136,985	3,792
Basic elements of core capital	134,293	138,341	4,048
Adjustments to core capital	1,100	1,356	256
Risk-weighted assets	1,312,973	1,373,061	60,088

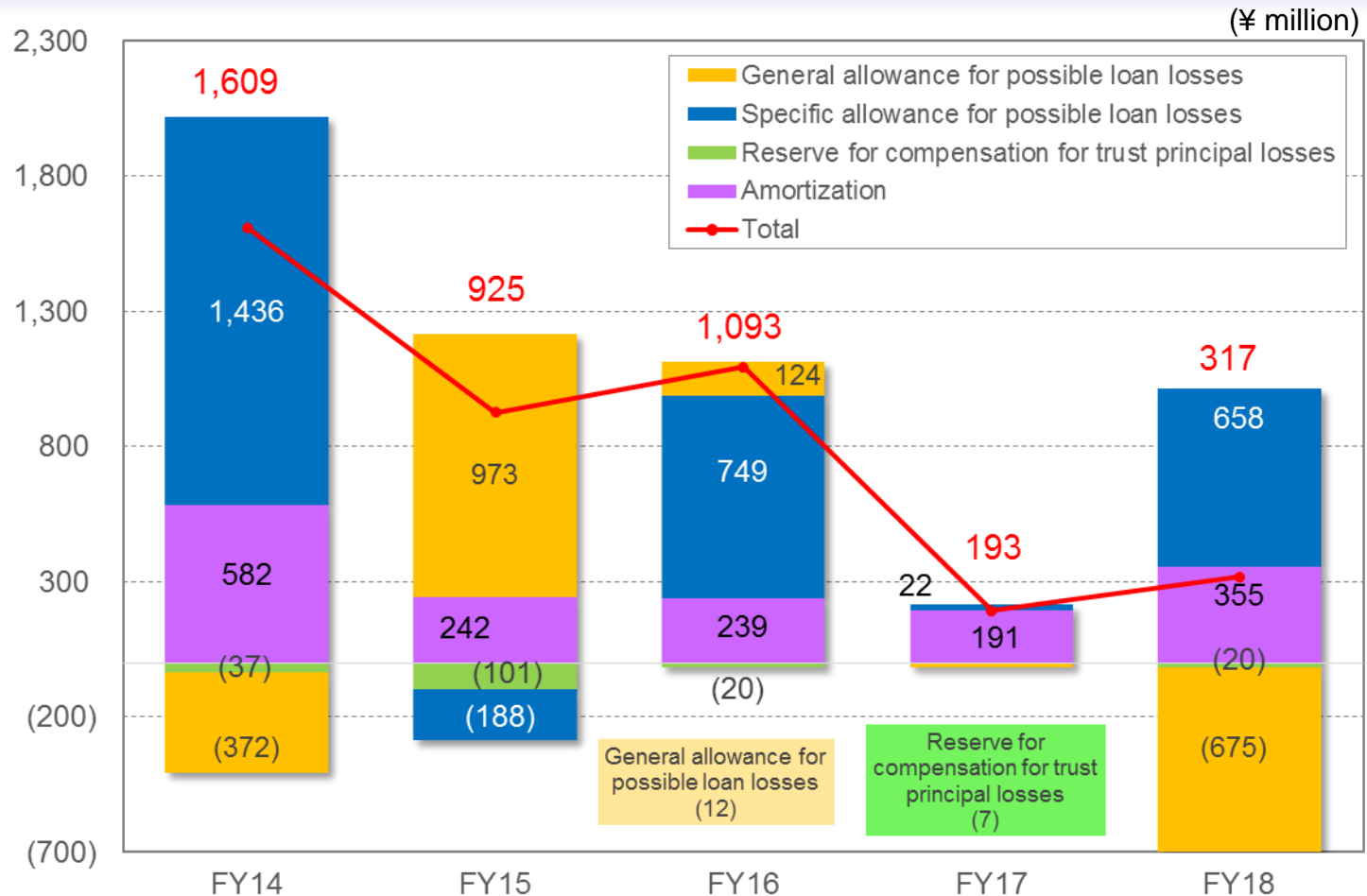
Although capital ratio has decreased, soundness has been secured due to an increase in Risk-weighted assets largely attributable to increases in Loans to SMEs and individuals, reflecting the robust Okinawan economy. The capital ratio of the Bank exceeds 9.73%, the average capital ratio of domestic standard regional banks in the term ended September 2018.

Trends in Capital and Capital Ratio (non-consolidated)



Credit Cost

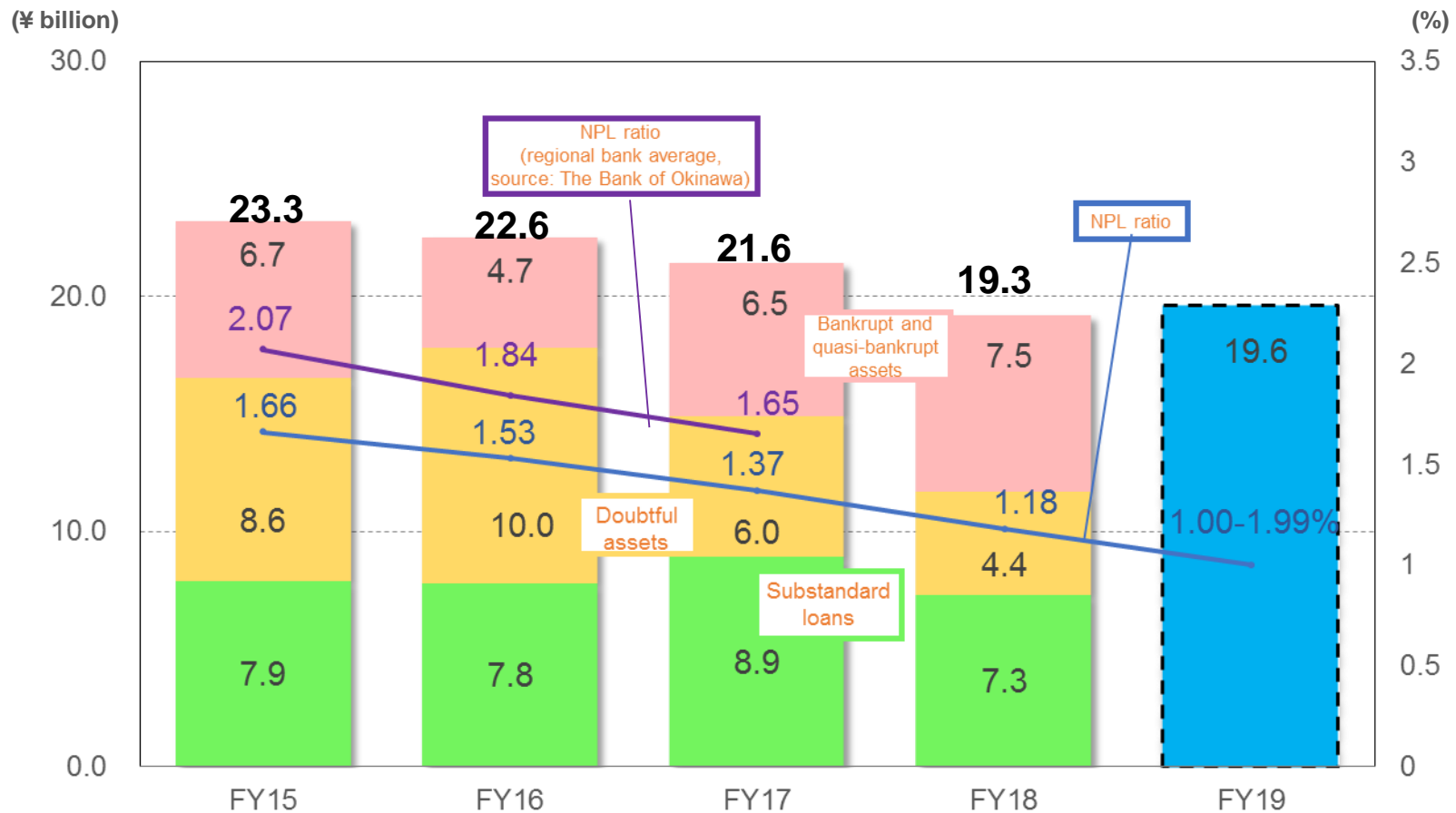
In overall terms, credit cost increased by ¥123 million year on year to ¥317 million



Mandatory Disclosure of Bad Debt under the Financial Reconstruction Law

¥19.3 billion (1.18%)

Remained at low level, below the regional bank average of 1.65%



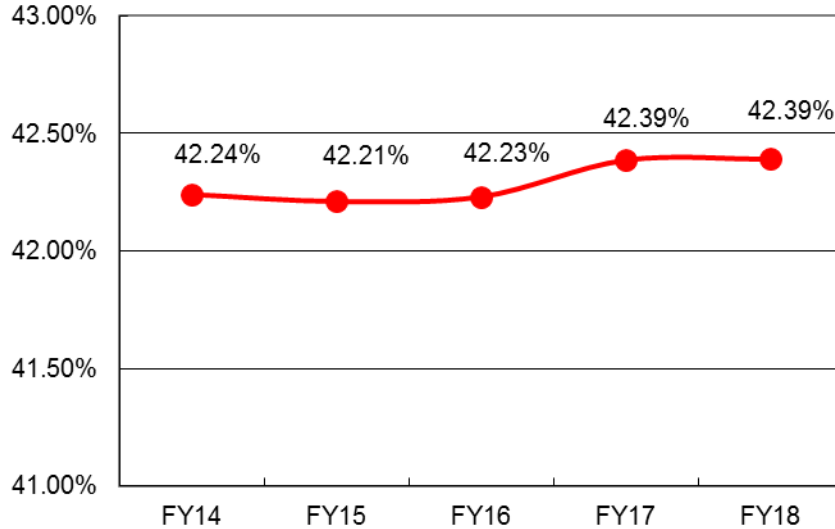
Our Share of the Market Served by the Three Okinawan Regional Banks

The share of loans and deposits both remained at a high level

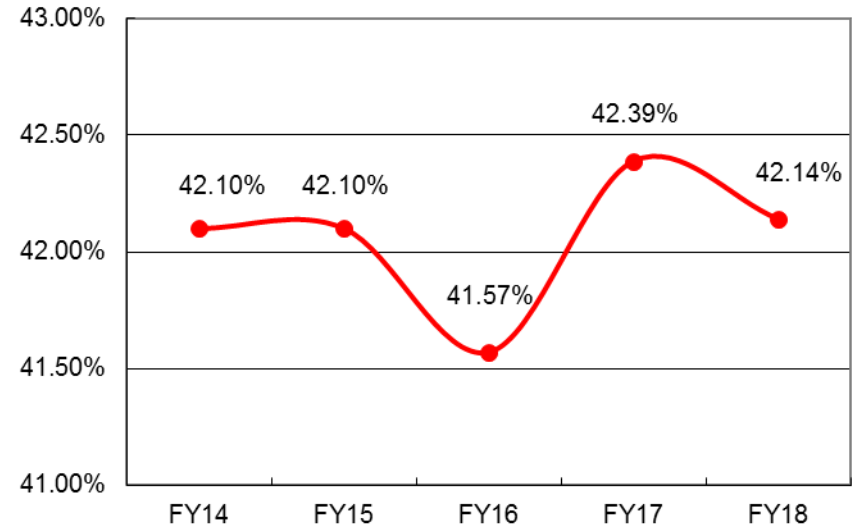
Loans: 42.39% (± 0.00 points YoY)

Deposits: 42.14% (down 0.25 points YoY)

Loans
(average balance)



Deposits
(average balance)



Business Strategies

Progress Status of 18th Medium-Term Business Plan

Management numerical targets under Create the Future

Management numerical targets		Result		Target
		FY2017	FY2018	FY2020
Profitability	(1) ROE for consolidated net income	5.00%	5.04%	Approx. 4%
	(2) Business profit on core banking operations	¥8.1 billion	¥8.2 billion	Approx. ¥7.5 billion
	(3) Core OHR	72.4%	72.0%	Approx. 70%
Growth potential	(4) 10% increase in the number of major corporate customers	7,285	8,249	Approx. 8,000
	(5) 10% increase in the number of major individual customers	323,784	331,130	Approx. 350,000
Soundness	(6) Non-performing loan ratio	1.37%	1.18%	Approx. 1%
	(7) Capital ratio	10.14%	9.97%	Approx. 10%

*ROE for consolidated net income shown on a shareholders' equity basis.

18th Medium-Term Business Plan (Basic Policy)

Basic Policy of the 18th Medium-Term Business Plan (Tagline, Vision)

Tagline

18th Medium-Term Business Plan: Basic Policy

HAND IN HAND WITH CUSTOMERS – Create the Future –

- Utilize the full strength of the Okigin Group to create a sustainable future for the next generation together with local communities
- Increase opportunities for facetime with customers and create value by utilizing the time generated by operational reforms and skillful human resources
- Create the future for customers and the Okigin Group by supporting customers' formation of quality assets and business continuity

Period

April 2018 – March 2021 (three years)

Vision

A bank that works on new concepts and creates new value together with customers

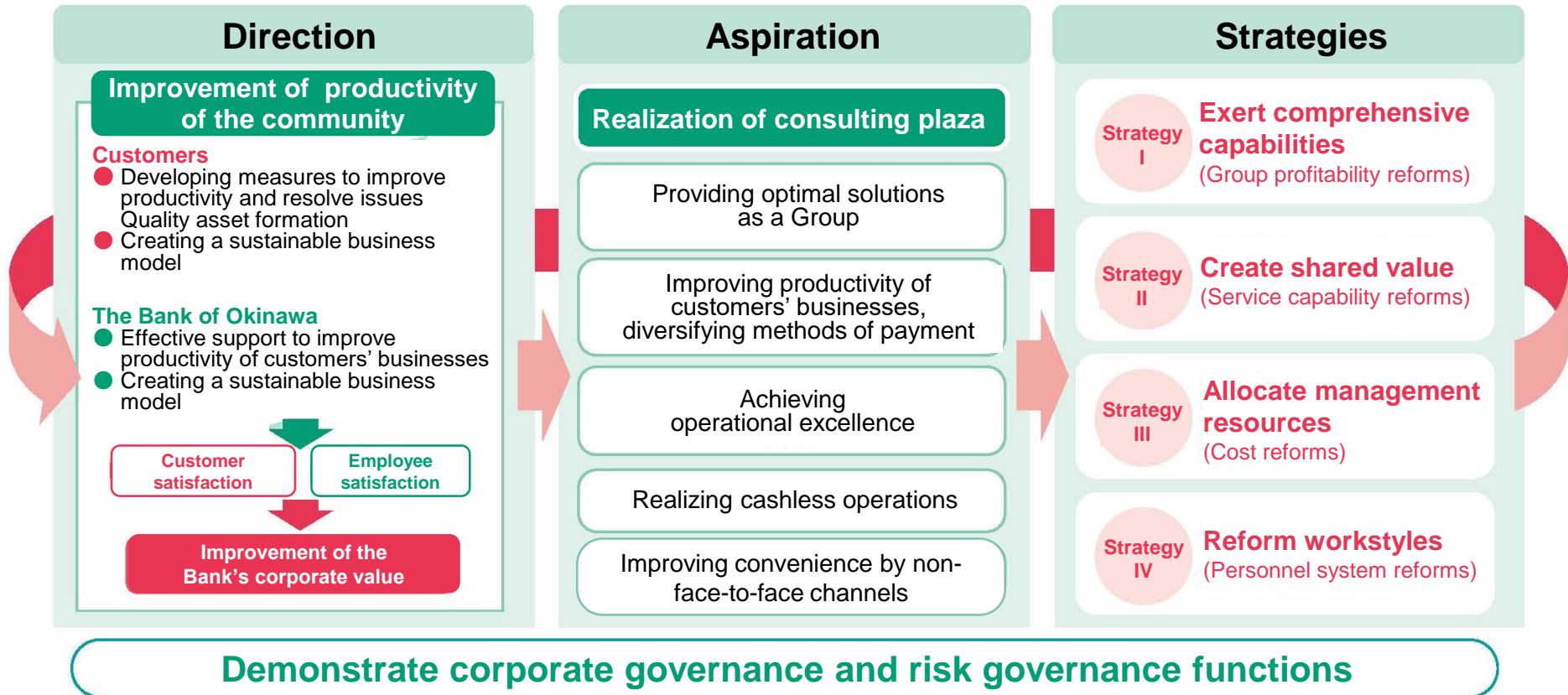


Carrying on the creation of new value set forth in the 17th Medium-Term Business Plan, our greatest mission is to contribute to the advancement of the regional economy based on new concepts to extend our business domain and expand services with the comprehensive capabilities of the Okigin Group. We aim to become a comprehensive financial services provider that creates new value together with our customers.

Direction of the 18th Medium-Term Business Plan

Aspirations The Okigin Group utilizing advanced ICT to grow with the region

We aspire to become the No. 1 bank in the region that grows in tandem with the community, improving customer convenience through ICT digital transformation and realizing excellent customer experience by fusing the digital with the analog (Face to Face).



Business Performance Forecasts for FY2019

Ordinary profit	10.5	7.8	(2.7)
Net income attributable to owners of the parent	7.1	5.2	(1.9)
[Non-consolidated]	FY18	FY19 (plan)	YoY change
Ordinary income	39.0	33.9	(5.1)
Gross business profit	28.7	28.7	0.0
Interest income	27.3	26.7	(0.6)
Fees and commissions	1.9	1.7	(0.2)
Other business profit	(0.6)	0.2	0.8
Expenses (excluding non-recurrent items)	21.2	21.9	0.6
Personnel expenses	9.4	9.6	0.1
Non-personnel expenses	10.2	10.7	0.4
Business profit on core banking operations	8.2	6.8	(1.4)
Provision of general allowance for possible loan losses	0.0	(0.3)	(0.3)
Net business profit	7.4	7.2	(0.2)
Non-recurrent items	2.1	(0.5)	(2.6)
Recoveries of written-off claims	0.2	0.1	(0.1)
Net gains (losses) on equity securities	1.9	0.0	(1.9)
Bad debt disposal	0.3	0.9	0.5
Ordinary profit	9.5	6.6	(2.9)
Extraordinary gains (losses)	0.0	0.0	0.0
Income before income taxes	9.4	6.6	(2.8)
Total income taxes and other taxes	2.6	1.9	(0.7)
Net income	6.8	4.7	(2.1)

Business performance points

Consolidated Basis

Net income attributable to owners of the parent is forecast to decrease by ¥2.0 billion year on year to ¥5.2 billion due to an expected decline in non-consolidated net income.

Ordinary Income

Interest on loans is forecast to increase, although decreases are expected in gain on sales of bonds, gain on sales of equity securities, and interests and dividends on securities.

	Average balance	Yield	Interest
Loans and bills discounted	366	(0.021%)	2
Securities	(346)	(0.149%)	(8)
Deposits	633	(0.001%)	(3)

Business Profit on Core Banking Operations

Business profit on core banking operations is forecast to decrease due to decreases in interest income, and fees and commissions, along with increases in personnel expenses, non-personnel expenses and others.

Ordinary Profit

Ordinary profit is forecast to decrease, due to a decline in business profit on core banking operations and gains (losses) on securities, in addition to an increase in credit cost and others.

Business Profit on Customer Services

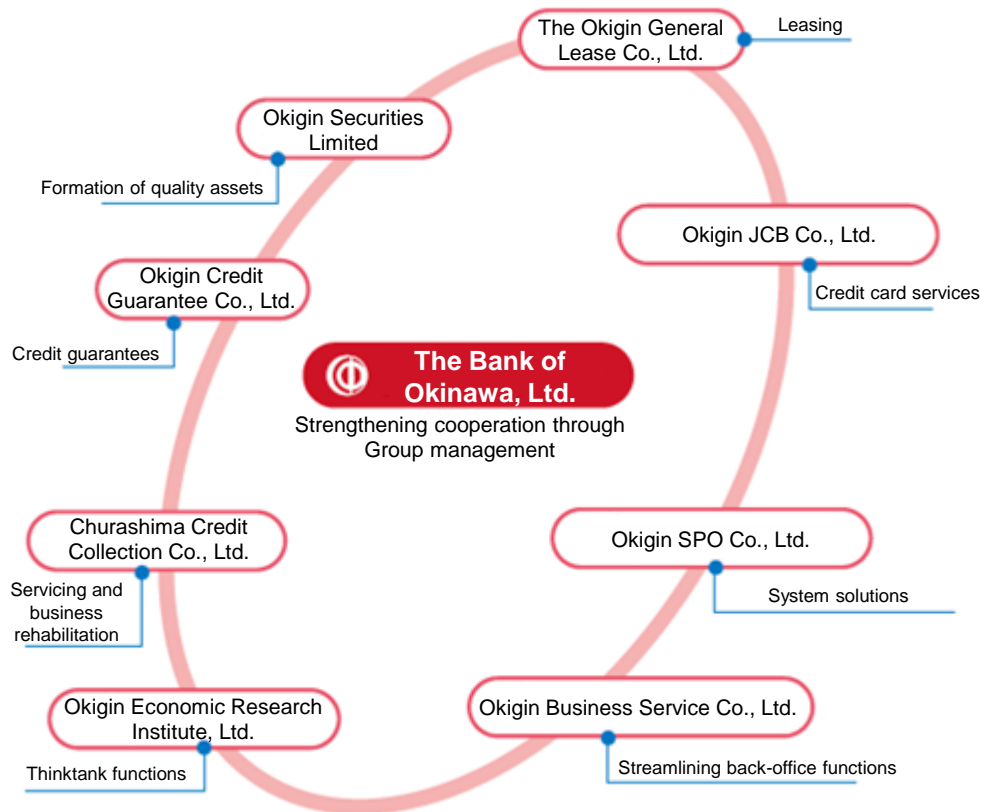
	(¥ million, %)		
	FY16	FY17	FY18
(1) Loans average balance	1,396,392	1,474,628	1,564,373
(2) Yield on loans	1.668	1.604	1.560
(3) Yield on deposits	0.061	0.042	0.044
(4) Loan / deposit spread ((2) - (3))	1.607	1.562	1.516
(5) Fees and commissions	2,264	2,084	1,943
(6) Operating expenses	21,743	21,691	21,582
(7) Business profit on customer services ((1) × (4) + (5) - (6))	2,960	3,426	4,077
(8) Deposits average balance	1,836,628	1,924,919	1,993,637
(9) Business profit margin on customer services ((7) ÷ (8))	0.161	0.178	0.204

* Business profit margin on customer services = loans balance × loan / deposit spread + fees and commissions – operating expenses / deposits (average balance) (excerpt from FY2016 Financial Report, p16)

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

Strategy I. Exert Comprehensive Capabilities (Group Profitability Reforms)

Enhancing service capabilities as a comprehensive financial services provider: meet customers' needs for asset formation and opportunities to generate income



Create systems to facilitate the provision of comprehensive financial services

- In order to build on our strength as a comprehensive financial group, we will build systems to facilitate the provision of a range of services to customers as a “one-stop provider.”
- We will act as an “asset management concierge” (consulting plaza) for customers, including combined banking and securities branches.

Thorough implementation of measures for “Bank-securities cooperation”

- Launch of customer referral to Okigin Securities (June 2017). Search for broad customer needs.
- Holding joint seminars with Okigin Securities to promote improvement of financial literacy, aimed at shifting from savings to investment.

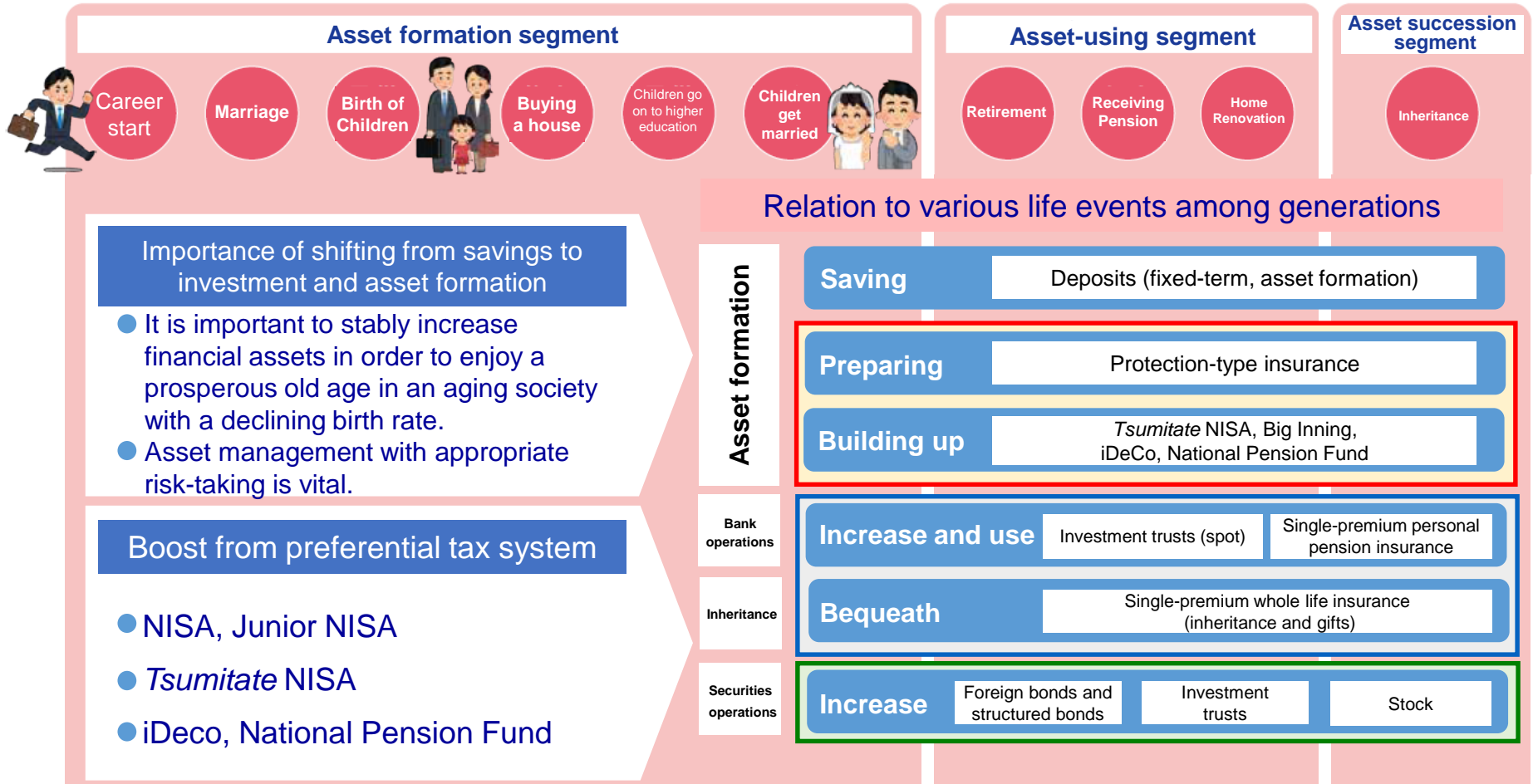


Quality asset formation for customers

Supporting customers' business continuity

Strategy II. Create Shared Value (Service Capability Reforms)

Support customers' formation of quality assets by providing products and services according to their life plans.



Implementing the Okigin Fiduciary Duty Basic Policy: seeking the best interests of customers

Strategy II. Create Shared Value (Service Capability Reforms)

Provide various solutions according to the life stage of customers' businesses

Cooperation with experts and supporting institutions

- Supporting applications for subsidies to support the enhancement of manufacturing, business, and service management capabilities
- Cooperation on dispatch of experts and support through various funds
- Support business start-up using business succession

FY2018 Results

Work Item	
1. Support medical business start-up	15 times
2. Management advisory meeting in cooperation with the Yorozu support base	30 times
3. Okigin Manager Training School	5 times total

Initiatives for business growth (assisting sales channel cultivation)

Participated in The Great Okinawa Trade Fair 2018

For the sake of the success of the Okigin Churashima Business Meeting, the Bank participated in the Great Okinawa Trade Fair, a large-scale international business exhibition, as a regular member.

- Held on November 29-30, 2018 at Okinawa Convention Center
- About 3,100 individual meetings were held during the two-day fair. The ratio of contracts concluded is expected to increase by 7.4 points to about 32.5%, including anticipated contracts.
- About 100 employees of the Bank supported the operation of the fair.

Initiatives for business improvement and rehabilitation

- Provide business improvement support utilizing CIPS (Consulting & Communication Improve management Proposal Sales), the Bank's proprietary consulting tool
- Support business improvement and rehabilitation by utilizing SME Business Rehabilitation Support Co-operative and other external organizations

	2003 – 2015	2016	2017	2018	Total
Utilization of SME Business Rehabilitation Support Co-operative					
No. of cases handled by co-operative (cases)	141	11	11	17	180
(of which, cases involving the Bank) (cases)	81	5	9	10	105
Ratio	57.4%	45.5%	81.8%	58.8%	58.3%
Utilization of Business improvement schedule formulation support program by certified supporting institution	Held seminars regarding the certified supporting institution and all-branch explanatory meeting by inviting lecturer from SME Section, Economy and Industry Department of Okinawa General Bureau. Of 295 applications of all Okinawa, 169 applications (57.3%) were handled by the Bank.				

Strategy II. Create Shared Value (Service Capability Reforms)

Toward realization of cashless operations

Okigin StarPay® (payment terminal)



Strengthen promotion of affiliated stores



Introduction of new apps



[Main functions]

1. Confirming deposit balance and deposit / withdrawal details
2. Display details of borrowing balance and repayment schedule
3. Transfers between customer's own accounts (limit of ¥100,000 per day)
4. Sending money to registered friends by reading QR code or entering ID
5. Can send money by entering branch name, branch number and account number (limit of ¥30,000 per day)

Strategy III. Allocate Management Resources (Cost Reforms)

Review Group expenses through cost reform working

- Put together a cost reform working group to encourage appropriate execution of expenses and allocate management resources to more effective areas.
- Work to reduce non-personnel expenses, aiming for a reduction of about ¥0.5 billion in the figures expected for FY2020.

Changes	Item	Factors in change, measures, etc.
Decrease (- ¥500 million)	Investment related (- ¥300 million)	<ul style="list-style-type: none"> ● Review of branches and ATMs ● Strengthen cost-effectiveness measurement ● Review of expenses through investments to increase efficiency
	Operations consignment expenses (- ¥100 million)	<ul style="list-style-type: none"> ● Review of expenses through investments to increase efficiency ● Strengthen cost-effectiveness measurement
	General expenses (- ¥100 million)	<ul style="list-style-type: none"> ● Strengthen management of forecast versus actual results for expenses in each division ● Implement bank-wide action to reduce expenses

Strategy III. Allocate Management Resources (Cost Reforms)

Branch Network Strategy

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

- May 2018 Tokyo Branch relocated
- June 2018 Kokuba Branch relocated and newly built
- July 2018 Motobu Branch relocated and newly built

[Schedule for newly building/relocating]

- ◆ July 2019 Yaeyama Branch
- ◆ Under construction Yogi Branch

Kokuba Branch



Motobu Branch



Efforts to consolidate branches through branch-in-branch method

Carrying out branch consolidation through branch-in-branch method based on market analysis.
Strategically allocate employees to growth markets.

Strategy IV. Reform Workstyles (Personnel System Reforms)

Introduction of new personnel system

Before change

Declining motivation

- The diversification and sophistication of work duties has made it difficult to separate jobs into the current categories of career track and general positions.
 - Although there is no great difference between the results expected in career track and general positions, there is a limit on promotions for general positions.
- ⇒ **This has led to a decline in motivation among both career track and general position employees.**

Future vision

Skillful human resources

- Build a sustainable business model that can be applied in a constantly changing environment.
 - A highly productive workplace environment where all employees can feel motivated and demonstrate their abilities.
- ⇒ **Skillful human resources who can provide wide-ranging consulting for customers based on advanced expertise and professional ethics are essential.**

Solutions

Carry out workstyle reforms to realize wonderful lives for all employees

- **Personnel system reforms**
(eliminate general positions, establish new career track positions limited to regions, reform human resources development)
- **Reform of work hours**
- **Reform of vacation and leave system** (life plan leave, etc.)

Challenges

Rebuilding organizational culture

- The division of work duties based on the current position system cannot handle diversified bank operations.
 - The system hinders growth by limiting opportunities for employees to feel motivated and use their skills.
- ⇒ **Need to rebuild organizational culture where all employees continue to work with a sense of security, fit into the environment, and grow.**

Strategy IV. Reform Workstyles (Personnel System Reforms)

Introduction of new personnel system

[Main initiatives starting in FY2019]

Initiatives	Date of implementation	Content
Elimination of general positions	Apr. 2019	Eliminate general positions with a limited range of work duties and unify all positions as career track to respond to diversifying customer needs.
Establishment of new regional career track positions	Apr. 2019	Establish new regional career track positions for employees who would have difficulty working in remote locations, in consideration of employees' work-life balance.
HR development reforms	Apr. 2019	Introduce a training system that lets all employees choose independently and allows them to imagine a variety of career goals.
Review of work hours	Apr. 2019	Eliminate specific days for finishing work on time, and make 5:00 p.m. the finishing time across the Bank. Set the start time and working hours at 8:30 a.m., and 7 hours and 30 minutes per day, respectively.
Establish life plan leave	Apr. 2019	Establish a new cooperative system to cover cases where an employee would otherwise been forced to resign, such as when relocating due to a spouse's transfer.
Expand re-employment system	Apr. 2019	Amend the re-employment system by significantly relaxing the age requirements, etc., and making it possible to be re-employed under the same conditions as at the time of retirement.
Establish refresh leave	Apr. 2019	Establish a new two-day vacation per year to create a system that guarantees employees can take four vacation days in a row by combining the two days with weekends and holidays.
Strengthen mid-career recruitment	Apr. 2019	Actively carry out mid-career recruitment in light of dramatically changing trends in the banking industry.

Response to Corporate Governance Code

Policy on Cross-Shareholding: Clarify policy to reduce cross-held shares and report on the purpose of any cross-held shares to the Board of Directors

Use of independent, voluntary advisory committees: Explain (Will consider voluntary advisory committees in future)

(Excerpt from Corporate Governance Report)

[Principles 1-4]

○ Policy on Cross-Held Shares

The Bank holds cross-held shares when deemed necessary for improving the sustainable corporate value of our business partners and the Group.

The Bank verifies the necessity of cross-shareholding by looking at the mid- to long-term economic rationality, future prospects, relationship with the regional economy, etc. for each stock. With comparison and verification of the stock to capital costs, etc., as well as to the standard yield expected when the Bank makes loans, the Bank will reduce shareholdings that are deemed unnecessary in terms of economic rationality. The purpose of cross-shareholding, etc. is reported to and verified by the Board of Directors each year.

In addition to looking at cross-shareholdings in light of capital costs, the Bank verifies and compares cross-shareholdings with the standard yield expected when making loans, and the purpose, etc., of holding the shares is reported annually to the Board of Directors. Based on the report, the Bank reduced cross-shareholdings during the fiscal year ended March 31, 2019.

	FY17	FY18	Difference
Cross-held stocks	18 stocks	16 stocks	(2) stocks

Social Contribution Initiatives

We will strengthen our efforts related to the Sustainable Development Goals (SDGs) and contribute to the creation of a sustainable society with the aim of further improving our corporate value



Okigin Group SDG Declaration

The Okigin Group, a comprehensive financial services group, will help achieve the SDGs put forward by the United Nations by practicing our management philosophy of “deeply rooted in the community / contribution to the community),” with the aim of creating a sustainable future and realizing a sustainable society together with regional society and all our stakeholders.

Masayasu Yamashiro, President
The Bank of Okinawa, Ltd.

Key initiatives of the Okigin Group

Co-creation with regional economy: Realizing a sustainable society for the regional economy



Co-creation with regional society: Realizing a dynamic future



Co-creation with global environment: Realizing an environmentally friendly regional society



Co-creation with diversity: Realizing a society that respects diversity and is capable of co-creation



Dividend Policy

Strengthen management structure and continue stable dividends

The Bank will flexibly use capital with the aim of optimizing capital efficiency and make stable returns to shareholders while maintaining a sound capital ratio to reinforce its management structure.

Basic Policy on Dividends

The Bank's basic policy on appropriation of surplus is to aim to strengthen its management structure while providing stable dividends in light of the public nature of the banking business.

18th Medium-Term Business Plan Policy on Shareholder Returns

Common dividend

Regardless of performance, we aim for a yearly common dividend of ¥70.

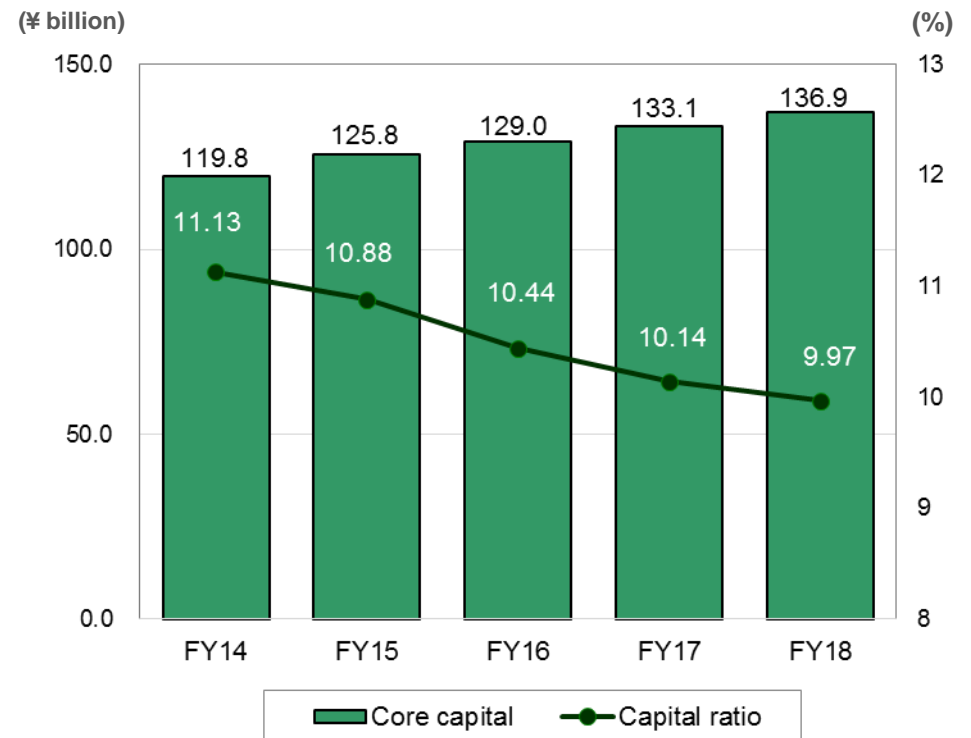
Performance-linked dividend

If the Bank's net income for the fiscal year exceeds ¥7.0 billion, we will consider paying a special dividend.

Total return ratio

The Bank sets a target of 30% of net income for the fiscal year for total shareholder returns.

Capital Ratio Trends



Shareholder Returns

Commemorating **the 60th anniversary of the Bank's founding**, the dividend for the fiscal year ended March 31, 2016 was ¥85 per share, an increase of ¥15.

Additionally, the Bank implemented a share split (1.2 shares for 1 share) with July 1, 2016 as the effective date. The Bank has maintained an annual dividend of ¥70 even after the share split.

	FY14	FY15	FY16	FY17	FY18
Share price (yen)	5,040	3,695	4,260	4,490	3,445
Common dividend (yen)	70	70	70	70	70
Commemorative dividend (yen)	0	15	0	0	0
Total dividends (yen)	70	85	70	70	70
Dividend yield (%)	1.38%	2.30%	1.64%	1.55%	2.03%
Share buy back (million yen) (Note)	1,055	467	—	—	—

(Note) The share buy back shown is via a resolution of the Board of Directors.

	Number of shares held	Annual dividend expected (common dividend)
Before share split (FY15)	100 shares	¥7,000
After share split (FY16)	120 shares	¥8,400 (dividend increase by 20%)

The background features a stylized world map in a light pink hue. Overlaid on the map is a network of white lines connecting various glowing white nodes, creating a global connectivity theme. The overall aesthetic is clean and modern.

Supplemental Materials

Business Performance

(¥ billion)

	FY15	FY16	FY17	FY18	YoY change
Non-consolidated					
Ordinary income	37.8	38.3	38.4	39.0	0.5
Gross business profit	30.8	29.1	27.8	28.7	0.8
Interest income	27.8	27.1	27.4	27.3	0.0
Fees and commissions	2.6	2.2	2.0	1.9	(0.1)
Fees and commissions (excluding trust fees)	2.3	1.9	1.9	1.9	(0.1)
Trust fees	0.3	0.3	0.2	0.1	(0.1)
Other business profit	0.3	(0.3)	(1.6)	(0.6)	1.0
Gains (losses) on bond trading	0.3	(0.3)	(1.5)	(0.8)	0.7
Expenses (excluding non-recurrent items)	20.3	21.3	21.2	21.2	(0.0)
Business profit on core banking operations	10.1	7.9	8.1	8.2	0.1
Provision of general allowance for possible loan losses	1.0	0.1	(0.0)	-	0.7
Net business profit	9.5	7.7	6.5	7.4	0.8
Non-recurrent items	1.2	0.1	2.2	2.1	(0.1)
Net gains (losses) on equity securities	0.7	1.1	1.7	1.9	0.1
Bad debt disposal (non-recurrent items)	(0.0)	1.0	0.2	0.3	0.1
Ordinary profit	10.7	7.8	8.8	9.5	0.7
Extraordinary gains (losses)	0.1	(0.1)	(0.0)	(0.0)	(0.0)
Net income	7.1	5.3	6.2	6.8	0.6
Credit cost	0.9	1.1	0.1	0.5	0.1
Non-performing loan ratio	1.66%	1.53%	1.37%	1.18%	(0.19)pt
Capital ratio	11.13%	10.44%	10.14%	9.97%	(0.17)pt

Term-End Balance, Average Balance, Yield, and Loan Balance by Industrial Segment

Term-end balance / Average balance / Yield

(¥ billion)

		FY15	FY16	FY17	FY18
Loans	Term-end balance	1,392.3	1,467.2	1,562.5	1,631.7
	Average balance	1,319.6	1,398.5	1,476.4	1,565.7
	Yield	1.89%	1.66%	1.60%	1.56%
Securities	Term-end balance	599.4	521.4	458.4	392.3
	Average balance	583.5	574.6	503.6	403.5
	Yield	0.85%	0.92%	0.95%	0.91%
Deposits	Term-end balance	1,880.1	1,897.8	2,005.2	2,037.0
	Average balance	1,889.2	1,889.5	1,959.7	2,019.0
	Yield	0.08%	0.06%	0.04%	0.02%

* Term-end and average balances are calculated on the basis of loan/deposit balances of the banking and trust accounts.

* Yields on loans and deposits are those used for domestic operations only.

Loan balance by industrial segment

	FY15	FY16	FY17	FY18
Manufacturing	37.0	35.3	35.3	34.9
Agriculture and forestry	1.1	1.3	2.0	2.3
Fishery	0.5	0.5	0.5	0.5
Mining and quarrying of stone and gravel	3.7	3.5	3.7	3.5
Construction	43.2	45.8	49.6	51.4
Electricity, gas, heat and water supply	7.3	4.9	6.6	10.3
Telecommunications	9.9	9.9	11.2	11.2
Transport and postal activities	18.9	17.9	16.2	12.6
Wholesaling and retailing	104.9	102.4	100.9	99.8
Finance and insurance	30.0	27.9	22.7	20.8
Real estate, and goods rental and leasing	363.5	402.9	454.9	502.7
Miscellaneous services	155.0	169.7	177.0	182.5
Local government bodies	102.0	110.9	126.4	128.6
Others	515.2	534.5	555.5	570.6
Total	1,392.3	1,467.2	1,562.5	1,631.7

Statements contained in these materials regarding forecasts of future events are based on information known to the management at the time of writing, and do not constitute any form of guarantee of the business performance of the Bank of Okinawa. These materials have been prepared to serve as a report on the settlement of accounts of the Bank for the fiscal 2018 term, ended March 2019, as well as to provide an explanation of the Bank's future management vision; they are not intended as a solicitation of business.

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